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Hearing Date: November 14, 2002
Hearing Time: 10:00 a.m.

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

-----X
In re:

Chapter 11

CEDAR CHEMICAL CORPORATION and,
VICKSBURG CHEMICAL COMPANY,

Case Nos. 02-11039 (SMB) and
02-11040 (SMB)

Debtors.

Jointly Administered
-----X

**NOTICE OF MOTION FOR ORDER REJECTING UNEXPIRED
REAL PROPERTY LEASE PURSUANT TO 11 U.S.C. § 365(a),
APPROVING NEW LEASE PURSUANT TO 11 U.S.C. § 363 AND
GRANTING RELATED RELIEF**

PLEASE TAKE NOTICE, that upon the annexed motion ("Motion") dated October 29, 2002 of Cedar Chemical Corporation and Vicksburg Chemical Company, debtors and debtors-in-possession herein (the "Debtors"), by their counsel, Angel & Frankel, P.C., the undersigned will move before Chief United States Bankruptcy Judge Stuart M. Bernstein, at the United States Bankruptcy Court for the Southern District of New York, One Bowling Green, New York, New York 10004-1408, on November 14, 2002 at 10:00 a.m. (the "Hearing"), or as soon thereafter as counsel may be heard, for the entry of an Order (the "Proposed Order") Rejecting the Debtors' Unexpired Real Property Lease described in the Motion pursuant to 11 U.S.C. § 365(a) and

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approving and authorizing the Debtors' entry into a new lease pursuant to 11 U.S.C. § 363, all as is more fully set forth in the Motion.

PLEASE TAKE FURTHER NOTICE, that you need not appear or respond to this Motion if you do not contest or object to the relief sought in the Motion.

PLEASE TAKE FURTHER NOTICE, that objections, if any, to the relief requested in the Motion must be in writing and must be served upon the undersigned attorneys for the Debtors and electronically filed with the Bankruptcy Court with a courtesy copy to be delivered to Judge Bernstein's chambers so as to be received at least (3) business days prior to the Hearing.

PLEASE TAKE FURTHER NOTICE, that any objection shall state the name of the objecting party and the nature and basis of its objection.

PLEASE TAKE FURTHER NOTICE, that the Proposed Order may be modified at or prior to the Hearing to accommodate objections thereto by interested parties or for any other reason whatsoever, and that at the Hearing the Court may enter such order or orders as it deems appropriate in accordance with applicable law and required by the circumstances and equities of the case.

PLEASE TAKE FURTHER NOTICE, that the Hearing may be adjourned from time to time without notice to any creditor or other party in interest other than by announcement of the adjourned date in open Court, or on the daily calendar maintained by the Court, on the date of the Hearing.

Dated: New York, New York
October 29, 2002

ANGEL & FRANKEL, P.C.
Attorneys for Cedar Chemical Corporation and
Vicksburg Chemical Corporation
Debtors and Debtors-in-Possession

By: 

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(212) 752-8000

TO: Office of the United States Trustee for the Southern District of New York
Counsel for the Official Committee of Unsecured Creditors
Counsel for the Agent for Debtors' Lenders
All Parties to the Subject Leases
All Parties Who Filed Notices of Appearance

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UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

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In re:	Chapter 11
CEDAR CHEMICAL CORPORATION and, VICKSBURG CHEMICAL COMPANY,	Case Nos. 02-11039 (SMB) and 02-11040 (SMB)
Debtors.	Jointly Administered

-----X

**MOTION FOR ORDER AUTHORIZING REJECTION OF CERTAIN
UNEXPIRED REAL PROPERTY LEASE PURSUANT TO 11 U.S.C.
§ 365(a), APPROVING NEW LEASE PURSUANT TO 11 U.S.C.
§ 363 AND GRANTING RELATED RELIEF**

TO: THE HONORABLE STUART M. BERNSTEIN,
CHIEF UNITED STATES BANKRUPTCY JUDGE:

The motion ("Motion") of Cedar Chemical Corporation ("Cedar") and Vicksburg Chemical Company ("Vicksburg"), debtors and debtors-in possession herein (collectively, the "Debtors"), by their counsel, Angel & Frankel, P.C., for entry of an order (the "Proposed Order") rejecting a certain unexpired real property lease pursuant to section 365(a) of the United States Bankruptcy Code, 11

U.S.C. §§ 101 *et seq.*, (the “Bankruptcy Code”) and approving and authorizing the Debtors to enter into a new lease pursuant to section 363 of the Bankruptcy Code, respectfully represents as follows:

INTRODUCTION

1. On March 8, 2002 (the “Petition Date”), the Debtors each filed a voluntary petition for relief under chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the Southern District of New York.

2. The Debtors have been authorized to remain in possession of their property and to continue in the operation and management of their businesses as debtors-in-possession pursuant to sections 1107 and 1108 of the Bankruptcy Code.

3. An official committee of unsecured creditors has been appointed by the Office of the United States Trustee for the Southern District of New York in the Debtors’ cases and it has chosen the law firm of Satterlee Stephens Burke & Burke LLP to serve as its counsel.

4. An order was entered on March 8, 2002 allowing the joint administration of the Debtors’ cases pursuant to Rule 1015(b) of the Federal Rules of Bankruptcy Procedures (the “Bankruptcy Rules”).

5. The Debtors were engaged in the business of producing and selling specialty chemicals for the agricultural (primarily fertilizer and herbicides), industrial and pharmaceutical industries.

RELIEF REQUESTED

6. Cedar is a party to a lease of real property for the premises known as Suite 2414 of the Clark Tower Building, 5100 Poplar Avenue, Memphis, Tenn. 38137, from which the Debtors operate their corporate office (“the Lease”). The Lease expires on January 31, 2004. Pursuant to the

Lease, Cedar is obligated to pay more than \$18,000 per month in base rent for the subject premises. A copy of the Lease together with any amendments thereto is annexed at Exhibit "B" hereto.

7. As the Court is aware, the Debtors are in the process of pursuing an orderly liquidation of their assets in order to maximize their estates for the benefit of their creditors. The Debtors are also seeking to reduce their administrative expenses during this wind-down period to the greatest extent possible. To that end, and because the number of its administration employees has been significantly reduced since the Petition Date, the Debtors have determined that they no longer require a corporate office as large as their present one. The landlord under the Lease, Trizecahn TBI Clark Tower LLC, is willing to rent to the Debtors a smaller portion of its existing premises, on a month-to-month basis at a base rent of \$6,349.90 per month (the "New Tenancy") terminable on 30 days notice, in accordance with the lease annexed at Exhibit "C" hereto. The lease for the New Tenancy is substantially similar to the Debtors' prior Lease, except for changes required to reflect the new economic terms and to delete provisions which are inapplicable to a month-to-month tenancy. Thus, by this motion, the Debtors are seeking entry of an order authorizing the rejection of the Lease and approving and authorizing the Debtors to enter into the New Tenancy.

8. Section 365 of the Bankruptcy Code states in pertinent part:

(a) Except as provided in sections 765 and 766 of this title and in subsections (b), (c) and (d) of this section, the trustee, subject to the court's approval, may assume or reject any executory contract or unexpired lease of the Debtors.

* * *

(d)(3) The trustee shall timely perform all the obligations of the Debtors, except those specified in section 365(b)(2), arising from and after the order for relief under any unexpired lease of nonresidential real property, until such lease is assumed or rejected, notwithstanding section 503(b)(1) of this title.

11 U.S.C. § 365.

9. Courts have uniformly deferred to the business judgment of a debtor to determine whether the rejection of an executory contract or unexpired lease is appropriate under section 365(a) of the Bankruptcy Code. *See NLRB v. Bildisco & Bildisco*, 104 S. Ct. 1188, 1995, 465 U.S. 513, 523, 79 L.Ed. 482 (1984); *Group of Institutional Investors v. Chicago M. St. P. Company*, 318 U.S. 523, *reh'g. denied*, 318 U.S. 803 (1943); *In re Taylor*, 913 F.2d 102 (3d Cir. 1990); *Sharon Steel Corp. v. National Field Gas Distrib. Corp.*, 872 F.2d 36 (3d Cir. 1989); *Lubrizol Enterpr., Inc. v. Richmond Metal Finishers, Inc.*, 756 F.2d 1043, 1046-47 (4th Cir. 1985), *cert. denied*, 475 U.S. 1057 (1986); *Control Data Corp. v. Zelman*, 602 F.2d 38, 42-43 (2d Cir. 1979) (business judgment rule applied under section 413(1) of the Bankruptcy Act); *In re Patterson*, 119 B.R. 59, 50 (E.D. Pa. 1990); *In re O.P.M. Leasing Services, Inc.*, 23 B.R. 104 (Bankr. S.D.N.Y. 1982). To the extent that sound business reasons justify the rejection of a particular contract or unexpired lease, rejection should be approved.

10. Pursuant to section 363(b) of the Bankruptcy Code, a debtor may use, sell or lease property of its estate other than in the ordinary course of business with approval of the Bankruptcy Court. See 11 U.S.C. § 363(b). Although the Debtors do not believe that entry into a lease of office space is necessarily outside the ordinary course of business, they are nevertheless seeking Court approval of the New Tenancy giving the liquidating nature of their case.

11. In this case, it is clearly within the Debtors' business judgment to reject the Lease and enter into the New Tenancy. By rejecting the Lease and entering into the New Tenancy, the Debtors will be significantly reducing their administrative expenses. Since there is no need for a corporate office of the size of their present office, yet the Debtors still require office space, approval of the

relief sought herein will enable the Debtors to operate from a smaller premises more suited to its needs at this time, and to preserve the estate's assets. The fact that the New Tenancy is a portion of the Debtors' existing premises is beneficial in that the Debtors will not incur the cost of moving, changing their phone system and the numerous other costs associated with a move. Since the New Tenancy would be terminable on 30 days notice, no significant delay will occur when the Debtors no longer require the premises, and it can be returned to the landlord with ease. After careful analysis and in the exercise of this business judgment, the Debtors have therefore determined, and respectfully submit, that the relief requested herein is amply justified, is in the best interest of their estates, and should therefore be granted.

12. The Debtors submit that service of a copy of the Motion upon: (a) all parties to the subject Lease and New Tenancy; (b) counsel to the Creditors' Committee; (c) counsel to the Agent for the Debtors' lenders; (d) all entities which have filed a notice of appearance and request for papers and served a copy thereof on the Debtors' counsel; and (e) the Office of the United States Trustee, constitutes good and sufficient notice of the Motion under sections 363 and 365(a) of the Bankruptcy Code and Rules 6004 and 6006 of the Federal Rules of Bankruptcy Procedure.

13. The Debtors further submit that the relevant legal authorities are set forth herein and that no novel issues of law have been raised. Accordingly, the Debtors request that the Court waive the requirement for filing a memorandum of law in support of this Motion.

WHEREFORE, the Debtors respectfully request entry of the Proposed Order and such other
and further relief as the Court may deem to be just and proper.

Dated: New York, New York
October 29, 2002

ANGEL & FRANKEL, P.C.
Attorneys for Cedar Chemical Corporation and
Vicksburg Chemical Corporation
Debtors and Debtors-in-Possession

By: 

Joshua J. Angel, Esq. (JA-3288)

Bruce Frankel, Esq. (BF-9009)

Bonnie L. Pollack, Esq. (BP-3711)

Frederick E. Schmidt, Esq. (FS-5277)

460 Park Avenue
New York, NY 10022-1906
(212) 752-8000

EXHIBIT "A"
PROPOSED ORDER

EXHIBIT "A"

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

-----X

In re:

Chapter 11

CEDAR CHEMICAL CORPORATION and,
VICKSBURG CHEMICAL COMPANY,

Case Nos. 02-11039 (SMB) and
02-11040 (SMB)

Debtors.

Jointly Administered

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**ORDER AUTHORIZING REJECTION OF CERTAIN REAL PROPERTY
LEASE PURSUANT TO 11 U.S.C. § 365(a) AND ENTRY INTO NEW
TENANCY PURSUANT TO 11 U.S.C. § 363**

Upon the Motion dated October 29, 2002 (the "Motion") of Cedar Chemical Corporation and Vicksburg Chemical Company, debtors and debtors-in-possession herein (the "Debtors"), by their attorneys Angel & Frankel, P.C., for an Order Authorizing Rejection of Certain Real Property Lease (the "Lease") pursuant to 11 U.S.C. § 365(a) and Entry into a New Tenancy (the "New Tenancy") pursuant to 11 U.S.C. § 363; and this Court having held a hearing with respect to the relief sought in the Motion on November 14, 2002 (the "Hearing"); and it appearing from the affidavit of service filed with the Court that the Debtors have given due and sufficient notice of the Motion and the Hearing; and upon the papers filed in connection with the Motion and the record of the Hearing; and it appearing that rejection of the Lease and entry into the New Tenancy is in the best interest of the Debtors' estates and is in the sound exercise of the Debtors' business judgment; and due deliberation having been had and sufficient cause appearing therefor; it is

NOW, on motion of Angel & Frankel, P.C., attorneys for the Debtors,

ORDERED, that the Motion is granted in its entirety and the Lease be, and hereby is, rejected pursuant to 11 U.S.C. § 365, and shall be immediately terminated; and it is further

ORDERED, that the Debtors be, and hereby are, authorized to enter into the New Tenancy; and it is further

ORDERED, that the landlord under the Lease shall file its claim for lease rejection damages, if any, under 11 U.S.C. § 365 by the later of (a) thirty days from the date of this Order, or (b) any applicable Bar Date set by this Court for filing claims in the Debtors' cases.

Dated: New York, New York
November __, 2002

STUART M. BERNSTEIN
CHIEF UNITED STATES BANKRUPTCY JUDGE

EXHIBIT "B"

LEASE TO BE REJECTED

CLARK TOWER BUILDING
OFFICE LEASE AGREEMENT
CEDAR CHEMICAL CORPORATION
SUITE 2414

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**LEASE AGREEMENT
CLARK TOWER BUILDING
MEMPHIS, TENNESSEE
CEDAR CHEMICAL CORPORATION - SUITE 2414**

THIS LEASE AGREEMENT ("Lease") is entered into as of the Date, and by and between the Landlord and Tenant, identified in Section 1.1 below.

1. BASIC LEASE DEFINITIONS, EXHIBITS AND ADDITIONAL DEFINITIONS.

1.1 Basic Lease Definitions.

In this Lease, the following defined terms have the meanings indicated.

- (a) "Date" means the date of full execution of this Lease, which is January 18, 1999.
- (b) "Landlord" means TrizecHahn TBI Clark Tower, LLC, a Delaware limited liability company.
- (c) "Tenant" means Cedar Chemical Corporation, a Delaware corporation.
- (d) "Premises" means those premises known as Suites 2405, 2408, 2414, 2427 & 2428 located on the 24th floor of the Building and identified on Exhibit A which are collectively hereby deemed to be 12,834 rentable square feet.
- (e) "Use" means general office and no other use.
- (f) "Term" means the duration of this Lease, which will be approximately five (5) years, beginning on the "Commencement Date" (as defined in Section 3.1 below) and ending on the "Expiration Date" (as defined below), unless terminated earlier or extended further as provided in this Lease. The "Expiration Date" means (i) if the Commencement Date is the first day of a month, the fifth (5th) year anniversary of the day immediately preceding the Commencement Date; or (ii) if the Commencement Date is not the first day of a month, the fifth (5th) year anniversary of the last day of the month in which the Commencement Date occurs.
- (g) "Scheduled Commencement Date" means February 1, 1999.
- (h) "Base Rent" means the Rent payable according to Section 4.1, which will be in an amount per month applicable during each Lease Month and Lease Year as follows (subject to Tenant's right of early termination as described in Section 3.6):

Rental Period (Lease Months)	Area*	Rentable Square Feet	Rate Per Square Foot of Agreed Rentable Area	Basic Annual Rent	Basic Monthly Rent
1 - 30	Suite 2414	9,076	\$17.00	\$160,174	\$13,347.83
	Suite 2405	3,412	\$17.50	\$ 59,710	\$ 4,975.83
	<u>2408</u>	12,834		\$219,884	\$18,323.66
Total					
31 - 60	Suite 2414	9,076	\$17.50	\$164,885	\$13,740.42
	Suite 2405	3,412	\$18.00	\$ 61,416	\$ 5,118.00
	<u>2408</u>	12,834		\$226,301	\$18,858.42
Total					

*"In this table, Suite 2414" means, collectively, Suites 2414, 2427 & 2428 and Suite 2405 means, collectively, Suite 2405 and 2408.

T. J. B.

(i) "Tenant's Share" means, with respect to the calculation of Additional Rent according to Section 4.2, 1.9774%.

(j) "Base Year" means Landlord's Fiscal Year ending December 31, 1998.

(k) "Security Deposit" means \$0.00.

(l) "Landlord's Building Address" means:

5100 Poplar Ave.
Memphis, TN 38137
Attention: Property Manager

(m) "Landlord's General Address" means:

TrizecHahn TBI Clark Tower, L.L.C.
c/o TrizecHahn Office Properties, Inc.
500 W. Madison
Suite 3650
Chicago, IL 60661
Attention: Senior Vice President

(n) "Tenant's Notice Address" means,

for notices given before the Commencement Date:

5100 Poplar Ave.
Suite #2414
Memphis, TN 38137
Attention: _____

and for notices given after the Commencement Date:

5100 Poplar Ave.
Suite #2414
Memphis, TN 38137
Attention: _____

(o) "Tenant's Invoice Address" means:

Premises

Attention: _____

(p) "Brokers" means the following brokers who will be paid by Landlord in accordance with a separate agreement: None. and the following brokers who will be paid by Tenant: None.

(q) "Liability Insurance Amount" means \$2,000,000.00.

1.2 Exhibits.

The Exhibits listed below are attached to and incorporated in this Lease. In the event of any inconsistency between such Exhibits and the terms and provisions of this Lease, the terms and provisions of the Exhibits will control. The Exhibits to this Lease are:

- Exhibit A - Plan Delineating the Premises
- Exhibit B - Possession and Leasehold Improvements Agreement
- Exhibit C - Occupancy Estoppel Certificate
- Exhibit D - Rules and Regulations

1.3 Additional Definitions.

In addition to those terms defined in Section 1.1 and other sections of this Lease, the following defined terms when used in this Lease have the meanings indicated:

- (a) "Additional Rent" means the Rent payable according to Section 4.2.
- (b) "Building" means the office and retail building commonly known as the Clark Tower Building, located on the Land and in which the Premises are located.
- (c) "Business Hours" means the hours from 8:00 a.m. to 6:00 p.m. on Monday through Friday and from 8:00 a.m. to 1:00 p.m. on Saturday, excluding statutory or legal holidays.
- (d) "Common Areas" means certain interior and exterior common and public areas located on the Land and in the Building as may be designated by Landlord for the non-exclusive use in common by Tenant, Landlord and other tenants, and their employees, guests, customers, agents and invitees. If the Building is connected to other buildings by underground tunnels or elevated bridges over public streets, Common Areas will include such bridges and tunnels; provided, however, that Landlord and owners of such other buildings will have the right in their sole discretion to adopt rules and regulations relating to bridge and tunnel use.
- (e) "Construction Administration Fee" means for all work performed in the Premises, whether performed by Landlord or Tenant, Tenant shall pay to Landlord the following fee:
 - General Contractor - If Landlord is the general contractor for the project and is performing the work and/or contracting with the subtrades on Tenant's behalf the parties will negotiate a market fee.
 - Project Administration - For all projects where Landlord is not the General Contractor, a project administration fee of twenty percent (20%) will be charged to cover Landlord's service of plan review and design and construction coordination.
- (f) "Expenses" means the aggregate of any and all costs (other than those expressly excluded below) incurred or accrued during each Fiscal Year according to generally accepted accounting principles for operating, managing, administering, equipping, securing, protecting, repairing, replacing, renewing, cleaning, maintaining, decorating, inspecting, and providing water, sewer and other energy and utilities to the Land, Building and Common Areas; administrative fees in an amount equal to a market administration fee, but no less than three percent (3%) of the gross revenue received from the Building (provided that if Landlord elects to use the services of a managing agent, Expenses will include, instead of administrative fees, management fees calculated in the same manner as administrative fees); fees and expenses (including reasonable attorney's fees) incurred in contesting the validity of any Laws that would cause an increase in Expenses; depreciation on personal property and moveable equipment which is or should be capitalized on Landlord's books; occupancy costs associated with the Building management office, consisting of Base Rent costs plus the proportionate share of Expenses and Taxes attributable to such office; Capital expenses made by reason of insurance requirements and costs (whether capital or not) that are incurred in order to conform to changes subsequent to the Date in any Laws, or that are made by reason of insurance requirements, or that are intended to reduce Expenses or the rate of increase in Expenses (such costs will not be included in Expenses for the Base Year and will otherwise be charged to Expenses in annual installments: (i) over the useful life of the items for which such costs are incurred (in the case of items required by changes in Laws or insurance requirements); or (ii) over the period Landlord reasonably estimates that it will take for the savings in Expenses achieved by such items to equal their cost (in the case

of items intended to reduce Expenses or their rate of increase); and (iii) in either case together with interest, each Fiscal Year such costs are charged to Expenses, on the unamortized balance at an interest rate of 1% in excess of the average Prime Rate in effect during such Fiscal Year). Expenses will not include: (1) mortgage principal or interest; (2) ground lease payments; (3) leasing commissions; (4) costs of advertising space for lease in the Building; (5) costs for which Landlord is reimbursed by insurance proceeds or from tenants of the Building (other than such tenants' regular contributions to Expenses); (6) any depreciation or capital expenditures (except as expressly provided above); (7) legal fees incurred for negotiating leases or collecting rents; (8) costs directly and solely related to the maintenance and operation of the entity that constitutes the Landlord, such as accounting fees incurred solely for the purpose of reporting Landlord's financial condition; and (9) costs of operating, repairing or maintaining the parking facilities serving the Building. For each Fiscal Year during the Term, the amount by which those Expenses that vary with occupancy (such as cleaning costs and utilities) would have increased had the Building been 100% occupied and operational and had all Building services been provided to all tenants will be reasonably determined and the amount of such increase will be included in Expenses for such Fiscal Year.

(g) "Fiscal Year" means Landlord's fiscal year, which ends on December 31st of each calendar year and may be changed at Landlord's discretion.

(h) "Force Majeure" means any acts of God, governmental restriction, strikes, labor disturbances, shortages of materials or supplies, or any other cause or event beyond the parties' reasonable control (but not because of insolvency, lack of funds or other financial cause), by which either party is hindered or prevented from performance of any act under this Lease, then performance of such act shall be excused for the period during which such performance is rendered impossible; and time for performance shall be extended accordingly. However, Force Majeure shall not relieve either party from any obligation under this Lease. No such delay shall constitute an actual or constructive eviction in whole or in part, or entitle Tenant to any abatement or diminution of rents or other charges due, or impose any liability upon Landlord or its agents because of inconvenience to Tenant or injury to or interruption of Tenant's business.

(i) "Land" means the real property located at 5100 Poplar Ave., Memphis, TN 38137, less any portions that may be conveyed separately from the Building by Landlord from time to time, plus any additional real property located proximate to the Land that may be operated by Landlord from time to time in conjunction with the Land.

(j) "Laws" means any and all present or future federal, state or local laws, statutes, ordinances, rules, regulations or orders of any and all governmental or quasi-governmental authorities having jurisdiction.

(k) "Lease Month" and "Lease Year" shall mean as follows:

(1) the first "Lease Month" shall commence on the Commencement Date and end on and include the day preceding the first Monthly Anniversary of the Commencement Date (the "Monthly Anniversary of the Commencement Date" meaning the numeric day of any calendar month that is the same numeric day as the Commencement Date);

(2) each "Lease Month" after the first Lease Month shall commence on a Monthly Anniversary of the Commencement Date and end on and include the day preceding the next occurring Monthly Anniversary of the Commencement Date; and

(3) each "Lease Year" shall consist of 12 successive Lease Months during the Term, commencing with the first Lease Month means each successive period of 12 calendar months during the Term, ending on the same day and month (but not year, except in the case of the last Lease Year) as the day and month on which the Expiration Date will occur. If the Commencement Date is not the first day of a month, the first Lease Year will be greater than 12 months by the number of days from the Commencement Date to the last day of the month in which the Commencement Date occurs.

(l) "Prime Rate" means the rate of interest announced from time to time by Citibank, N.A., or any successor to it, as its prime rate. If Citibank, N.A. or any successor to it ceases to announce a prime rate, Landlord will designate a reasonably comparable financial institution for purposes of determining the Prime Rate.

(m) "Rent" means the Base Rent, Additional Rent and all other amounts required to be paid by Tenant under this Lease.

(n) "Taxes" means the amount incurred or accrued during each Fiscal Year according to generally accepted accounting principles for that portion of the following items that is allocable to the Land and Building: all ad valorem real and personal property taxes and assessments, special or otherwise, levied upon or with respect to the Land or Building, the personal property used in operating the Building, and the rents and additional charges payable by tenants of the Building, and imposed by any taxing authority having jurisdiction; all taxes, levies and charges which may be assessed, levied or imposed in replacement of, or in addition to, all or any part of ad valorem real or personal property taxes or assessments as revenue sources, and which in whole or in part are measured or calculated by or based upon the Land or Building, the leasehold estate of Landlord or the tenants of the Building, or the rents and other charges payable by such tenants; capital and place-of-business taxes, and other similar taxes assessed relating to the Building; and any reasonable expenses incurred by Landlord in attempting to reduce or avoid an increase in Taxes, including, without limitation, reasonable legal fees and costs. Taxes will not include any net income taxes of Landlord. Tenant acknowledges that Taxes may increase during the Term and that if the Building or Land, or both, are currently subject to a Taxes abatement program and such program ceases to benefit the Building or Land, or both, during the Term, Taxes will increase.

2. GRANT OF LEASE.

2.1 Demise.

Subject to the terms, covenants, conditions and provisions of this Lease, Landlord leases to Tenant and Tenant leases from Landlord the Premises, together with the non-exclusive right to use the Common Areas, for the Term.

2.2 Quiet Enjoyment.

Landlord covenants that during the Term Tenant will have quiet and peaceable possession of the Premises, subject to the terms, covenants, conditions and provisions of this Lease, and Landlord will not disturb such possession except as expressly provided in this Lease.

2.3 Landlord and Tenant Covenants.

Landlord covenants to observe and perform all of the terms, covenants and conditions applicable to Landlord in this Lease. Tenant covenants to pay the Rent when due, and to observe and perform all of the terms, covenants and conditions applicable to Tenant in this Lease.

3. TERM.

3.1 Commencement Date.

"Commencement Date" means the first day of the Term, which will be the earlier of (i) the first day on which Tenant occupies the Premises for the regular conduct of its business; or (ii) the Scheduled Commencement Date (as the same may be extended according to Section 3.3 below).

3.2 Early Occupancy.

Tenant has no right to enter the Premises until Landlord tenders possession. With Landlord's express written consent, Tenant may occupy the Premises for regular conduct of Tenant's business prior to the Scheduled Commencement Date. If Tenant takes possession of any part of the Premises for business purposes prior to the Scheduled Commencement Date with Landlord's prior written consent, all of the covenants and conditions of the Lease will bind both parties with respect to such portion of the Premises, and Tenant will pay Landlord Rent for the period of such occupancy according to Section 4 of the Lease at the rates applicable to the first Lease Year (excluding any periods of excused or free rent, if any), prorated for the time and portion of the Premises so occupied. No early occupancy under this Section 3.2 will change the Commencement Date or the Expiration Date.

3.3 Delayed Occupancy.

If, due to the holdover of a prior occupant or other reason beyond Landlord's control, Landlord fails to tender possession of the Premises to Tenant on or before the Scheduled Commencement Date, Landlord will not be in default or liable in damages to Tenant, nor will the obligations of Tenant be affected, provided, however, that:

(a) the Commencement Date will be extended automatically by one day for each day of the period after the Scheduled Commencement Date to the day on which Landlord tenders possession of the Premises to Tenant less any portion of that period attributable to Tenant's Delays as more particularly described in Exhibit B; and

(b) if Landlord does not tender possession of the full Premises to Tenant on or before the date 6 months after the Scheduled Commencement Date (plus any period of delay caused by Force Majeure and/or Tenant's Delays as described in Exhibit B), Tenant will have the right to terminate the Lease by delivering written notice of the termination to Landlord not more than 30 days after such tender deadline date.

Upon a termination under Section 3.3 (b) above, each party will, upon the other's request, execute and deliver an agreement in recordable form containing a release and surrender of all right, title and interest in and to the Lease; neither Landlord nor Tenant will have any further obligations to each other; and Landlord will refund to Tenant any sums paid to Landlord by Tenant in connection with the Lease. Such postponement of the commencement of the Term and such termination and refund right will be in full settlement of all claims that Tenant might otherwise have against Landlord by reason of Landlord's failure to tender the Premises by the Scheduled Commencement Date.

3.4 Surrender.

Upon the expiration or other termination of the Term, Tenant will immediately vacate and surrender possession of the Premises in good order, repair and conditions, except for ordinary wear and tear. Upon the expiration or other termination of the Term, Tenant agrees to remove (a) all changes, additions and improvements to the Premises the removal of which Landlord requested or approved according to Section 9.1 at the time Landlord consented to their installation, and (b) all of Tenant's trade fixtures, office furniture, office equipment and other personal property. Tenant will pay Landlord on demand the cost of repairing any damage to the Premises or Building caused by the installation or removal of any such items. Any of Tenant's property remaining in the Premises will be conclusively deemed to have been abandoned by Tenant and may be appropriated, stored, sold, destroyed or otherwise disposed of by Landlord without notice or obligation to account to or compensate Tenant, and Tenant will pay Landlord on demand all costs incurred by Landlord relating to such abandoned property.

3.5 Holding Over.

Tenant understands that it does not have the right to hold over at any time and Landlord may exercise any and all remedies at law or in equity to recover possession of the Premises, as well as any damages incurred by Landlord, due to Tenant's failure to vacate the Premises and deliver possession to Landlord as required by this Lease. If Tenant holds over after the Expiration Date with Landlord's prior written consent, Tenant will be deemed to be a tenant from month to month, at a monthly Base Rent, payable in advance, equal to 150% of monthly Base Rent payable during the last year of the Term, and Tenant will be bound by all of the other terms, covenants and agreements of this Lease as the same may apply to a month-to-month tenancy. If Tenant holds over after the Expiration Date without Landlord's prior written consent, Tenant will be deemed a tenant at sufferance, at a daily Base Rent, payable in advance, equal to 200% of the Base Rent per day payable during the last year of the Term, and Tenant will be bound by all of the other terms, covenants and agreements of this Lease as the same may apply to a tenancy at sufferance.

3.6 Early Termination.

Tenant shall have the one-time option to terminate all or no less than 1,194 rentable square feet of that portion of this Lease which affects *only* the space identified as "Suite 2405" on Exhibit A prior to the Expiration Date upon the conditions stated below on a date (the "Termination Date") which shall be the

first (1st) day of the thirty-sixth (36th) month of the Term of this Lease. This "Termination Option" shall be void unless exercised precisely according to these conditions:

(a) Tenant shall exercise this Termination Option, if at all, by written notice which must be received by Landlord at least twelve (12) months prior to the Termination Date; and

(b) Tenant shall not be in default of any of the provisions or conditions of this Lease at the time of Termination Notice, and for the remainder of the Term through the Termination Date; and

(c) ~~Simultaneously with the Termination Notice~~ At Least 60 days prior to the Termination Date, Tenant shall tender payment in full of a termination fee in an amount equal to \$75,420.00. Tenant shall continue to pay Base and Additional Rent as they come due under the Lease; however, if at any time after the Termination Notice Tenant fails to timely make said Rent payments this Termination Option and Tenant's exercise of same shall become null and void and of no further effect; and

(d) Tenant shall continue fully liable after the Termination Date for Tenant's financial obligations with respect to Suite 2405 accruing through the Termination Date (including, without limitation, rents and charges identified above and other costs, if any), and Tenant shall pay all amounts in full within thirty (30) calendar days of the date of Landlord's invoice(s); and

(e) Time is of the essence of this Termination Option.

This Termination Option applies to Tenant only and shall be void if Tenant fails to exercise it precisely according to each and all of the conditions stated above, or if Tenant assigns the Lease or sublets the Premises or otherwise transfers all or part of its interest in the Lease or the Premises.

4. RENT.

4.1 Base Rent.

Commencing on the Commencement Date and then throughout the Term, Tenant agrees to pay Landlord Base Rent according to the following provisions. Base Rent during each Lease ~~Month Year~~ (or portion of a Lease ~~Month Year~~) described in Section 1.34(k) will be payable in monthly installments in the amount specified for such Lease ~~Month Year~~ (or portion) in Section 1.1(h), in advance, on or before the first day of each and every month during the Term. However, ~~if the Term commences on other than the first day of a month or ends on other than the last day of a month, Base Rent for such month will be appropriately prorated~~ the Commencement Date occurs on a day other than the first day of a calendar month, then the term of this Lease shall be extended to the last day of the calendar month in which the last day of the sixtieth (60th) Lease Month occurs and Tenant shall pay Basic Monthly Rent and Additional Rent (at the rates in effect on the Expiration Date) for such extended Lease term.

4.2 Additional Rent.

Tenant agrees to pay Landlord, as Additional Rent, in the manner provided below for each Fiscal Year subsequent to the Base Year that contains any part of the Term, Tenant's Share of (i) the amount by which Expenses for such Fiscal Year exceed Expenses for the Base Year ("Additional Expenses"); and (ii) the amount by which Taxes for such Fiscal Year exceed Taxes for the Base Year ("Additional Taxes").

(a) Estimated Payments. Prior to or as soon as practicable after the beginning of each Fiscal Year subsequent to the Base Year, Landlord will notify Tenant of Landlord's estimate of Tenant's Share of Additional Expenses and Additional Taxes for the ensuing Fiscal Year. On or before the first day of each month during the ensuing Fiscal Year, Tenant will pay to Landlord, in advance, 1/12 of such estimated amounts, provided that until such notice is given with respect to the ensuing Fiscal Year, Tenant will continue to pay on the basis of the prior Fiscal Year's estimate until the month after the month in which such notice is given. In the month Tenant first pays based on Landlord's new estimate, Tenant will pay to Landlord 1/12 of the difference between the new estimate and the prior year's estimate for each month which has elapsed since the beginning of the current Fiscal Year. If at any time or times it appears to Landlord that Tenant's Share of Additional Expenses or Tenant's Share of Additional Taxes for the then-

current Fiscal Year will vary from Landlord's estimate by more than 5%, Landlord may, by notice to Tenant, revise its estimate for such year and subsequent payments by Tenant for such year will be based upon the revised estimate.

(b) **Annual Settlement.** As soon as practicable after the close of each Fiscal Year subsequent to the Base Year, Landlord will deliver to Tenant its statement of Tenant's Share of Additional Expenses and Additional Taxes for such Fiscal Year. If on the basis of such statement Tenant owes an amount that is less than the estimated payments previously made by Tenant for such Fiscal Year, Landlord will either refund such excess amount to Tenant or credit such excess amount against the next payment(s), if any, due from Tenant to Landlord. If on the basis of such statement Tenant owes an amount that is more than the estimated payments previously made by Tenant for such Fiscal Year, Tenant will pay the deficiency to Landlord within 30 days after the delivery of such statement. If this Lease commences on a day other than the first day of a Fiscal Year or terminates on a day other than the last day of a Fiscal Year, Tenant's Share of Additional Expenses and Additional Taxes applicable to the Fiscal Year in which such commencement or termination occurs will be prorated on the basis of the number of days within such Fiscal Year that are within the Term.

(c) **Final Payment.** Tenant's obligation to pay the Additional Rent and Landlord's obligation to refund or credit any overpayment of Additional Rent provided for in this Section 4.2 which is accrued but not paid for periods prior to the expiration or early termination of the Term will survive such expiration or early termination. Prior to or as soon as practicable after the expiration or early termination of the Term, Landlord may submit an invoice to Tenant stating Landlord's estimate of the amount by which Tenant's Share of Additional Expenses and Additional Taxes through the date of such expiration or early termination will exceed Tenant's estimated payments of Additional Rent for the Fiscal Year in which such expiration or termination has occurred or will occur. Tenant will pay the amount of any such excess to Landlord within 30 days after the date of Landlord's invoice.

4.3 Other Taxes.

Tenant will reimburse Landlord upon demand for any and all taxes payable by Landlord (other than net income taxes and taxes included in Taxes) whether or not now customary or within the contemplation of Landlord and Tenant: (a) upon, measured by or reasonably attributable to the cost or value of Tenant's equipment, furniture, fixtures and other personal property located in the Premises; (b) upon or measured by Rent; (c) upon or with respect to the possession, leasing, operation, management, maintenance, alteration, repair, use or occupancy by Tenant of the Premises or any portion of the Premises; and (d) upon this transaction or any document to which Tenant is a party creating or transferring an interest or an estate in the Premises. If it is not lawful for Tenant to reimburse Landlord, the Base Rent payable to Landlord under this Lease will be revised to yield to Landlord the same net rental after the imposition of any such tax upon Landlord as would have been payable to Landlord prior to the imposition of any such tax.

4.4 Terms of Payment.

All Base Rent, Additional Rent and other Rent will be paid to Landlord in lawful money of the United States of America, at Landlord's Building Address or to such other person or at such other place as Landlord may from time to time designate in writing, without notice or demand and without right of deduction, abatement or setoff, except as otherwise expressly provided in this Lease.

4.5 Interest on Late Payments.

All amounts payable under this Lease by Tenant to Landlord, if not paid when due, will bear interest from the due date until paid at the lesser of the highest interest rate permitted by law or 5% in excess of the then-current Prime Rate.

4.6 Right to Accept Payments.

No receipt by Landlord of an amount less than Tenant's full amount due will be deemed to be other than payment "on account", nor will any endorsement or statement on any check or any accompanying letter effect or evidence an accord and satisfaction. Landlord may accept such check or payment without prejudice to Landlord's right to recover the balance or pursue any right of Landlord. No payments by Tenant to Landlord after the expiration or other termination of the Term, or after the giving of any notice

(other than a demand for payment of money) by Landlord to Tenant, will reinstate, continue or extend the Term or make ineffective any notice given to Tenant prior to such payment. After notice or commencement of a suit, or after final judgment granting Landlord possession of the Premises, Landlord may receive and collect any sums of Rent due under this Lease, and such receipt will not void any notice or in any manner affect any pending suit or any judgment obtained.

5. CONDITION OF PREMISES.

Subject to any provision of this Lease concerning the making of Leasehold Improvements by Landlord in the Premises (if any), by taking possession of the Premises hereunder, Tenant accepts the Premises as being in good order, condition and repair, and otherwise as is, where is and with all faults. Except as may be expressly set forth in this Lease, including Exhibit B, Tenant acknowledges that neither Landlord, nor any employee, agent or contractor of Landlord has made any representation or warranty concerning the Land, Building, Common Areas or Premises, or the suitability of either for the conduct of Tenant's business. The Premises do not include any areas above the finished ceiling or below the finished floor covering installed in the Premises or any other areas not shown on Exhibit A as being part of the Premises. Landlord reserves, for Landlord's exclusive use, any of the following (other than those installed for Tenant's exclusive use) that may be located in the Premises: janitor closets, stairways and stairwells; fan, mechanical, electrical, telephone and similar rooms; and elevator, pipe and other vertical shafts, flues and ducts.

6. USE AND OCCUPANCY.

6.1 Use.

(a) Tenant agrees to use and occupy the Premises only for the Use described in Section 1.1(e), or for such other purpose as Landlord expressly authorizes in writing.

(b) The use of the Premises permitted under Section 6.1(a) shall not include, and Tenant shall not use, or permit the use of, the Premises or any part thereof for: (i) the offices or business of a governmental or quasi-governmental bureau, department or agency, foreign or domestic, including an autonomous governmental corporation or diplomatic or trade mission; or (ii) conduct or maintenance of any gambling or gaming activities or any political activities of any club activities, or a school or employment or placement agency.

6.2 Compliance.

(a) Tenant agrees to use the Premises in a safe, careful and proper manner, and to comply with all Laws applicable to Tenant's use and occupancy of the Premises. If, (i) due to the nature or manner of any use or occupancy of the Premises by Tenant, or (ii) to a condition created by Tenant, or a breach of Tenant's obligations hereunder or the negligence of Tenant or its invitees, or (iii) the requirement of installation or modification of any gas, smoke or fire detector or alarm or any sprinkler or other system to prevent or extinguish fire or combustion or to promote fire safety, any improvements or alterations to the Premises or Building or changes in the services provided by Landlord according to Section 7 are required to comply with any Laws, or with requirements of Landlord's insurers, then Tenant will pay all costs of the required improvements, alterations or changes in services.

(b) Landlord and Tenant agree that, during the Term, each will comply with all Laws governing, and all procedures established by Landlord for, the use, abatement, removal, storage, disposal or transport of any substances, chemicals or materials declared to be, or regulated as, hazardous or toxic under any applicable Laws ("Hazardous Substances") and any required or permitted alteration, repair, maintenance, restoration, removal or other work in or about the Premises, Building or Land that involves or affects any Hazardous Substances. Each party will indemnify and hold the other and the other's "Affiliates" (as defined in Section 13.1) harmless from and against any and all claims, costs and liabilities (including reasonable attorneys' fees) arising out of or in connection with any breach by such party of its covenants

under this Section 6.2(b). The parties' obligations under this Section 6.2(b) will survive the expiration or early termination of the Term.

6.3 Occupancy.

Tenant will not do or permit anything which obstructs or interferes with other tenants' rights or with Landlord's providing Building services, or which injures or annoys other tenants. Tenant will not cause, maintain or permit any nuisance in or about the Premises and will keep the Premises free of debris, and anything of a dangerous, noxious, toxic or offensive nature or which could create a fire hazard or undue vibration, heat or noise. If any item of equipment, building material or other property brought into the Building by Tenant or on Tenant's request causes a dangerous, noxious, toxic or offensive effect (including an environmental effect) and in Landlord's reasonable opinion such effect will not be permanent but will only be temporary and is able to be eliminated, then Tenant will not be required to remove such item, provided that Tenant promptly and diligently causes such effect to be eliminated, pays for all costs of elimination and indemnifies Landlord against all liabilities arising from such effect. Tenant will not make or permit any use of the Premises which may jeopardize any insurance coverage, increase the cost of insurance or require additional insurance coverage. If by reason of Tenant's failure to comply with the provisions of this Section 6.3(a) any insurance coverage is jeopardized, then Landlord will have the option to terminate this Lease or (b) insurance premiums are increased, then Landlord may require Tenant to immediately pay Landlord as Rent the amount of the increase in insurance premiums.

7. SERVICES AND UTILITIES.

7.1 Landlord's Standard Services.

During the Term, Landlord will operate and maintain the Building in compliance with all applicable Laws which are not the obligation of Tenant and according to those standards from time to time prevailing for first-class office buildings in the area in which the Building is located. Landlord will provide the following services according to such standards, the costs of which will be included in Expenses to the extent provided in Section 1.3(f):

(a) repair, maintenance and replacement of all the exterior and structural elements of the Building including the exterior windows and the Common Areas and all general mechanical, plumbing and electrical systems installed in the Building, but excluding those portions of any mechanical, plumbing or electrical systems that exclusively serve the Premises such as (by means of illustration only) supplemental heating, ventilation and air-conditioning ("HVAC") systems, kitchen plumbing and equipment, plumbing for restrooms exclusively used by Tenant and wall plugs and switches ("Exclusive Systems");

(b) heating and air-conditioning the Premises and Common Areas during Business Hours, at temperatures and in amounts as may be reasonably required for comfortable use and occupancy under normal business operations with "Customary Office Equipment" subject to compliance with all applicable voluntary and mandatory regulations and laws (as used in this Lease, "Customary Office Equipment" will include typewriters, calculators, dictation recorders, desk top personal computers, small reproduction machines and similar devices and equipment; but will not include any machines, devices or equipment that adversely affect the temperature otherwise maintained in the Premises such as, e.g., data processing or heavy-duty computer or reproduction equipment). If Tenant requires heating or air-conditioning for the Premises outside Business Hours, Landlord will furnish the same for the hours specified in a request from Tenant (which request will be made at the time and in the manner reasonably designated by Landlord for such requests from time to time), and for this service Tenant will pay Landlord, within 10 days after the date of Landlord's invoice, the hourly rate reasonably determined by Landlord from time to time;

(c) cold water for small kitchens, hot and cold water for washrooms not exclusively used by Tenant and water for drinking fountains (excluding water for air conditioning units for exclusive use by Tenant);

(d) janitorial services to the Premises and Building Common Areas, exclusive of Holidays, substantially similar to the services provided in other first class office buildings in the downtown Memphis Central Business District;

(e) operatorless passenger elevators for access to and from the floor(s) on which the Premises are located. Operatorless passenger elevator service is in common with Landlord and other tenants. Operatorless freight elevator service shall also be available in common with Landlord and other tenants, but any use of the operatorless freight elevator service by Tenant and/or contractors or employees of Tenant shall be at Tenant's sole responsibility and expense and at times satisfactory to and subject to scheduling by Landlord. Tenant shall abide by all rules and regulations established by Landlord from time to time with respect to the use of passenger and freight elevator service;

(f) toilet facilities, including necessary washroom supplies sufficient for Tenant's normal use;

(g) electric lighting for all Common Areas that require electric light during the day or are open at night, including replacement of tubes and ballasts in lighting fixtures;

(h) electrical facilities and sufficient power for standard office machines of similar low electrical consumption; but not including electricity required for main frame electronic data equipment which, singularly, consumes more than 0.5 kilowatts at rated capacity or requires a voltage other than 120 volts single phase; and

(i) replacement of tubes and ballasts in those Building standard lighting fixtures installed in the Premises.

7.2 Separate Utility Services.

In addition to the standard services provided according to Section 7.1, Landlord will furnish the following "Separate Utilities" to the extent they are currently available within the Premises using existing Building equipment: electricity for Tenant's use in the Premises so long as such use shall not exceed five thousand (5,000) watt hours annually per rentable square foot (with the connected load not exceeding 5 watts per rentable square foot) in the Premises inclusive of Building standard lighting and HVAC and any air conditioning or ventilating equipment serving the Premises or such larger amounts as may be deemed excessive by Landlord; water for air conditioning; and gas. Tenant will pay separately for the costs of all Separate Utilities consumed within the Premises (and such costs will not be included in Expenses). Except when Tenant pays the utility company directly, Tenant will pay Landlord for the costs of Separate Utilities consumed within the Premises. Landlord will invoice Tenant from time to time for such costs, which will be deemed Rent under this Lease, and Tenant will pay the same within 10 days after the date of Landlord's invoice. For the costs of all Separate utilities so payable by Tenant to Landlord, Landlord will charge Tenant (a) by metering at applicable rates, where meters exist or are installed at Landlord's discretion, including all service and meter-reading charges; and/or (b) by use and engineering surveys identifying all costs relating to consumption of Separate Utilities (including, without limitation, survey costs, labor, utility rates and Landlord's administrative fee to the extent allowed by applicable Laws). For purposes of this Section 7.2, from time to time during the Term Landlord may enter the Premises to install, maintain, replace or read meters for Separate Utilities and/or to evaluate Tenant's consumption of and demand for Separate Utilities.

7.3 Additional Services.

(a) If Tenant requires electric current, water or any other energy in excess of the amounts provided by Landlord according to Sections 7.1 and 7.2, such excess electric, water or other energy requirements will be supplied only with Landlord's consent, which consent will not be unreasonably withheld. If Landlord grants such consent, Tenant will pay all costs of meter service and installation of facilities or professional services necessary to measure and/or furnish the required excess capacity. Tenant will also pay the entire cost at the prevailing rate of such additional electricity, water or other energy so required.

(b) If Tenant installs any machines, equipment or devices in the Premises that do not constitute Customary Office Equipment and such machines, equipment or devices cause the temperature in any part of the Premises to exceed the temperature the Building's mechanical system would be able to maintain in the Premises were it not for such machines, equipment or devices, then Landlord reserves the right to install supplementary air conditioning units in the Premises, and Tenant will pay Landlord all costs of installing, operating and maintaining such supplementary units.

(c) If Tenant requires any janitorial or cleaning services in excess of the amounts provided by Landlord according to section 7.1 (such as cleaning services beyond normal office janitorial services for areas such as kitchens, computer rooms medical or dental examination rooms or other special use areas), Landlord will provide such excess services to Tenant within a reasonable period after Tenant's request made to Landlord's Building manager ("Property Manager"), provided that such excess services are available from Landlord's regular janitorial or cleaning contractor. Tenant will pay the cost of such excess services at prevailing rates. Landlord will also provide, within a reasonable period after Tenant's request made to the Property Manager, at Tenant's cost and to the extent available to Landlord, replacement of bulbs, tubes or ballasts in any non-Building standard lighting fixtures in the Premises.

(d) Landlord has installed telephone riser cables (collectively the "riser cables") from the outside of the building to the terminal block on each floor in the Building. Subject to Landlord's supervision and approval, Tenant shall have the right to use the riser cables by installing telephone lines (the "telephone lines") from the Premises to the terminal block on the floor or floors on which the Premises are located. Landlord, however, makes no representations or warranties with respect to the capacity, suitability or design of the riser cables or terminal blocks. If there is more than one tenant on a floor, Landlord shall allocate hook-ups to the terminal block based on the proportion of rentable square feet that each tenant occupies on the floor. The installation and hook-up of telephone lines by Tenant shall be subject to all of the terms and conditions of this Lease. At the expiration or earlier termination of this Lease, Landlord shall have the option of requiring Tenant to remove all of its telephone lines or leave its telephone lines in place. All of the riser cables and terminal blocks in the Building are and shall be the property of Landlord, and Tenant shall have no rights or interest therein except as set forth herein. Landlord shall be responsible for maintaining the riser cables and terminal blocks, and the cost thereof shall be included in Expenses for purposes of this Lease. Under no circumstances, however, shall Landlord or its agents or employees be liable for, and Tenant waives all claims with respect to, any damages or losses sustained by Tenant or any occupant of the Premises, including any property or consequential damages, resulting from operating or maintenance of the riser cables and terminal blocks. Without limiting the generality of the foregoing, in no event shall Landlord be liable for: (a) any damage to Tenant's telephone lines, telephones or other equipment connected to the telephone lines, (b) interruption or failure of, or interference with, telephone or other service coming through the telephone lines to the Premises or (c) unauthorized eavesdropping or wiretapping.

(e) Tenant will pay as Rent, within 10 days after the date of Landlord's invoice, all costs which may become payable by Tenant to Landlord under this Section 7.3.

7.4 Interruption of Services.

If any of the services provided for in this Section 7 are interrupted or stopped, Landlord will use due diligence to resume the service; provided, however, no irregularity or stoppage of any of these services will create any liability for Landlord (including, without limitation, any liability for damages to Tenant's personal property caused by any such irregularity or stoppage), constitute an actual or constructive eviction or, except as expressly provided below, cause any abatement of the Rent payable under this Lease or in any manner or for any purpose relieve Tenant from any of its obligations under this Lease. If, due to reasons within Landlord's reasonable control, any of the services required to be provided by Landlord under this Section 7 should become unavailable and should remain unavailable for a period in excess of 60 hours after notice of such unavailability from Tenant to Landlord, and if such unavailability should render all or any portion of the Premises where Tenant is actually unable to use any or all of the Premises for the normal conduct of its business ("Untenantable"), then commencing upon the expiration of such 60-hour period, Tenant's Rent will equitably abate in proportion to the portion of the Premises so rendered Untenantable for so long as such services remain unavailable for such reasons. Without limiting those reasons for an

irregularity or stoppage of services that may be beyond Landlord's control, any such irregularity or stoppage that is required in order to comply with any Laws will be deemed caused by a reason beyond Landlord's control.

8. REPAIRS.

8.1 Repairs Within the Premises.

Subject to the terms of Sections 6, 7.1(a), 12 and 14, and except to the extent Landlord is required or elects to perform or pay for certain maintenance or repairs according to those sections, Tenant will, at Tenant's own expense: (a) at all times during the Term, maintain the Premises, all fixtures and equipment in the Premises and those portions of any plumbing or electrical systems that exclusively serve the Premises in good order and repair and in a condition that complies with all applicable Laws; and (b) promptly and adequately repair all damage to the Premises and replace or repair all of such fixtures, equipment and portions of the plumbing or electrical systems that are damaged or broken, all under the supervision and subject to the prior reasonable approval of Landlord. All work done by Tenant or its contractors (which contractors will be subject to Landlord's reasonable approval) will be done in a first-class workmanlike manner using only grades of materials at least equal in quality to Building standard materials and will comply with all insurance requirements and all applicable Laws.

8.2 Failure to Maintain Premises.

If Tenant fails to perform any of its obligations under Section 8.1, then Landlord may perform such obligations and Tenant will pay as Rent to Landlord the cost of such performance, including an amount sufficient to reimburse Landlord for overhead and supervision, within 10 days after the date of Landlord's invoice. For purpose of performing such obligations, or to inspect the Premises, Landlord may enter the Premises upon not less than 10 days' prior notice to Tenant (except in cases of actual or suspected emergency, in which case no prior notice will be required) without liability to Tenant for any loss or damage incurred as a result of such entry, provided that Landlord will take reasonable steps in connection with such entry to minimize any disruption to Tenant's business or its use of the Premises.

8.3 Notice of Damage.

Tenant will notify Landlord promptly after Tenant learns of: (a) any fire or other casualty in the Premises; (b) any damage to or defect in the Premises, including the fixtures and equipment in the Premises, for the repair of which Landlord might be responsible; and (c) any damage to or defect in any parts of appurtenances of the Building's sanitary, electrical heating, air conditioning, elevator or other systems located in or passing through the Premises.

9. ALTERATIONS.

9.1 Alterations by Tenant.

Tenant may from time to time at its own expense make changes, additions and improvements to the Premises (individually or collectively referred to as "Alterations") to better adapt the same to its business, provided that any such Alterations: (a) will comply with all applicable Laws; (b) will be made only with the prior written consent of Landlord, which consent will not be unreasonably withheld; (c) will equal or exceed Building standard; (d) will be carried out only by persons selected by Tenant and approved in writing by Landlord, who will if required by Landlord deliver to Landlord before commencement of the work performance and payment bonds; (e) do not exceed or adversely affect the capacity, maintenance, operating cost or integrity of the Building's structure or any of its heating, ventilating, air conditioning, plumbing, mechanical, electrical, communications or other systems; (f) is approved by the holder of any Encumbrance; (g) does not violate any agreement which affects the Building or binds Landlord; and (h) does not alter the exterior of the Building in any way. Tenant will maintain, or will cause the persons performing any such work to maintain, worker's compensation insurance and public liability and property damage insurance (with Landlord named as an additional insured), in amounts, with companies and in a form reasonably satisfactory to Landlord, which insurance will remain in effect during the entire period in which the work will be carried out. If requested by Landlord, Tenant will deliver to Landlord proof of all such insurance. Tenant will promptly pay, when due, the cost of all such work and, upon completion, Tenant will deliver to Landlord, to the extent not previously received by Landlord, evidence of payment,

contractors' affidavits and full and final waivers of all liens for labor, services or materials. Tenant shall pay the Construction Administration Fee on all Alterations. Tenant will also pay any increase in property taxes on, or fire or casualty insurance premiums for, the Building attributable to such Alterations and the cost of any modifications to the Building outside the Premises that are required to be made in order to make the Alterations to the Premises. Tenant, at its expense, will have promptly prepared and submitted to Landlord reproducible as-built CAD plans of any such Alterations upon their completion. All Alterations to the Premises, whether temporary or permanent in character, made or paid for by Landlord or Tenant will, without compensation to Tenant, become Landlord's property upon installation. If at the time Landlord consents to their installation, Landlord requests or approves the removal by Tenant of any such Alterations upon termination of this Lease, Tenant will remove the same upon termination of this Lease as provided in Section 3.4. All other Alterations will remain Landlord's property upon termination of this Lease and will be relinquished to Landlord in good condition, ordinary wear and tear excepted.

9.2 Alterations by Landlord.

Landlord may from time to time make repairs, changes, additions and improvements to the Building, Common Areas and those Building systems necessary to provide the services described in Section 7, and for such purposes Landlord may enter the Premises upon not less than 10 days' prior notice to Tenant (except in cases of actual or suspected emergency, in which case no prior notice will be required) without liability to Tenant for any loss or damage incurred as a result of such entry, provided that in doing so Landlord will not disturb or interfere with Tenant's use of the Premises and operation of its business any more than is reasonably necessary in the circumstances and will repair any damage to the Premises caused by such entry. No permanent change, addition or improvement made by Landlord will materially impair access to the Premises.

10. LIENS.

Tenant agrees to pay before delinquency all costs for work, services or materials furnished to Tenant for the Premises, the nonpayment of which could result in any lien against the Land or Building. Tenant will keep title to the Land and Building free and clear of any such lien. Tenant will immediately notify Landlord of the filing of any such lien or any pending claims or proceedings relating to any such lien and will indemnify and hold Landlord harmless from and against all loss, damages and expenses (including reasonable attorneys' fees) suffered or incurred by Landlord as a result of such lien, claims and proceedings. In case any such lien attaches, Tenant agrees to cause it to be immediately released and removed of record (failing which Landlord may do so at Tenant's sole expense), unless Tenant has a good faith dispute as to such lien in which case Tenant may contest such lien by appropriate proceedings so long as Tenant deposits with Landlord a bond or other security in an amount reasonably acceptable to Landlord which may be used by Landlord to release such lien. Upon final determination of any permitted contest, Tenant will immediately pay any judgment rendered and cause the lien to be released.

11. INSURANCE.

11.1 Landlord's Insurance.

During the Term, Landlord will provide and keep in force the following insurance:

(a) commercial general liability insurance relating to Landlord's operation of the Building, for personal and bodily injury and death, and damage to others' property; and

(b) all risk or fire insurance (including standard extended coverage endorsement perils, leakage from fire protective devices and other water damage) relating to the Land and Building (but excluding Tenant's fixtures, furnishings, equipment, personal property, documents, files, inventory, stock-in-trade and work products and all leasehold improvements in the Premises); and

(c) loss of rental income insurance or loss of insurable gross profits commonly insured against by prudent landlords; and

(d) such other insurance (including boiler and machinery insurance) as Landlord reasonably elects to obtain or any Building mortgagee requires.

Insurance effected by Landlord under this Section 11.1 will be in amounts which Landlord from time to time reasonably determines sufficient or any Building mortgagee requires; will be subject to such deductibles and exclusions as Landlord reasonably determines; will, in the case of insurance under Sections 11.1 (b), (c) and (d), permit the release of Tenant from certain liability under Section 13.1 (as long as such permission can be obtained without material additional cost and without rendering void the protection afforded by the policy); and will otherwise be on such terms and conditions as Landlord from time to time reasonably determines sufficient. Tenant acknowledges that Landlord's loss of rental income insurance policy provides that payments by the insurer may be limited to a period of one year following the date of any damage or destruction and that no insurance proceeds will be payable in the case of damage or destruction caused by an occurrence not included in the policies described in Sections 11.1(b), (c) and (d).

11.2 Tenant's Insurance.

During the term, Tenant will provide and keep in force the following insurance:

(a) commercial general liability insurance relating to Tenant's business (carried on, in or from the Premises) and Tenant's use and occupancy, for personal and bodily injury and death, and damage to others' property, with limits of not less than the Liability Insurance Amount for any one accident or occurrence; and

(b) all risk or fire insurance (including standard extended endorsement perils, leakage from fire protective devices and other water damage) relating to Tenant's fixtures, furnishings, equipment, documents, files, work products, inventory, stock-in-trade and all leasehold improvements in the Premises on a full replacement cost basis in amounts sufficient to prevent Tenant from becoming a co-insurer and subject only to such deductibles and exclusions as Landlord may reasonably approve; and

(c) if any boiler or machinery is operated in the Premises, boiler and machinery insurance; and

(d) business interruption insurance with a minimum limit equal to Tenant's annual rental expense; and

(e) workers' compensation insurance with limits as statutorily defined in the State of Tennessee; and

(f) employers liability insurance with limits not less than \$1,000,000 each accident, \$1,000,000 each disease-policy limit, and \$1,000,000 each disease-each employee; and

(g) commercial automobile liability insurance with a combined single limit of not less than \$1,000,000 for each accident and/or each person, covering all owned, hired, and non-owned vehicles.

Landlord and the holder of any Encumbrance will be named as an additional insureds in the policy described in Section 11.2(a), which will include cross liability and severability of interests clauses and will be on an "occurrence" (and not a "claims made") form. Landlord and the holder of any Encumbrance will be named as a loss payee, as its interest may appear, in the policies described in Sections 11.2(b) and (c), and such policies will permit the release of Landlord and the holder of any Encumbrance from certain liability under Section 13.2. Tenant's insurance policies will otherwise be upon such terms and conditions as Landlord from time to time reasonably requires. Tenant will file with Landlord, on or before the Commencement Date and at least 10 days before the expiration date of expiring policies, such copies of either current policies, an insurance binder (countersigned by the insurer), Evidence of Insurance (in form Accord 27) or a binding certificate, or other proofs, as may be reasonably required to establish Tenant's insurance coverage in effect from time to time and payment of premiums. If Tenant fails to insure or pay premiums, or to file satisfactory proof as required, Landlord may, upon a minimum of 24-hours' notice, effect such insurance and recover from Tenant on demand any premiums paid.

12. DAMAGE OR DESTRUCTION.

12.1 Termination options.

If the Premises or the Building are damaged by fire or other casualty Landlord will, promptly after learning of such damage, notify Tenant in writing of the time necessary to repair or restore such damage, as estimated by Landlord's architect, engineer or contractor. If such estimate states that repair or restoration of all of such damage that was caused to the Premises or to any other portion of the Building necessary for Tenant's occupancy cannot be completed within 180 days from the date of such damage (or within 30 days from the date of such damage if such damage occurred within the last 12 months of the Term), then Tenant will have the option to terminate this Lease. If such estimate states that repair or restoration of all such damage that was caused to the Building cannot be completed within 180 days from the date of such damage, or if such damage occurred within the last 12 months of the Term and such estimate states that repair or restoration of all such damage that was caused to the Premises or to any other portion of the Building necessary for Tenant's occupancy cannot be completed within 30 days from the date of such damage, or if such damage is not insured against by the insurance policies required to be maintained by Landlord according to Section 11.1, then Landlord will have the option to terminate this Lease. Any option to terminate granted above must be exercised by written notice to the other party given within 10 days after Landlord delivers to Tenant the notice of estimated repair time. If either party exercises its option to terminate this Lease, the Term will expire and this Lease will terminate 10 days after notice of termination is delivered; provided, however, that Rent for the period commencing on the date of such damage until the date this Lease terminates will be reduced to the reasonable value of any use or occupation of the Premises by Tenant during such period and Landlord will be entitled to all proceeds of the insurance policy described in Section 11.2(b) applicable to any damaged leasehold improvements in the Premises.

12.2 Repair Obligations.

If the Premises or the Building are damaged by fire or other casualty and neither party terminates this Lease according to Section 12.1, then Landlord will repair and restore such damage with reasonable promptness, subject to delays for insurance adjustments and delays caused by matters beyond Landlord's control. Landlord will have no liability to Tenant and Tenant will not be entitled to terminate this Lease if such repairs and restoration are not in fact completed within the estimated time period, provided that Landlord promptly commences and diligently pursues such repairs and restoration to completion. In no event will Landlord be obligated to repair, restore or replace any of the property required to be insured by Tenant according to Section 11.2; Tenant agrees to repair, restore or replace such property as soon as possible after the date of damage, to at least the condition existing prior to its damage, using materials at least equal to Building standard. However, in connection with its repair and restoration of such damage, Landlord may, at its option, elect to repair and restore the damage, if any, caused to any or all of the leasehold improvements required to be insured by Tenant according to Section 11.2(b). If Landlord makes such election, Landlord will be entitled to all proceeds of the insurance policy described in Section 11.2(b) applicable to the leasehold improvements Landlord so elects to repair or restore.

12.3 Rent Abatement.

If any fire or casualty damage renders the Premises Untenantable and if this Lease is not terminated according to Section 12.1, then Rent will abate beginning on the date of such damage. Such abatement will end on the date Landlord has substantially completed the repairs and restoration Landlord is required to perform according to Section 12.2. Such abatement will be in an amount bearing the same ratio to the total amount of Rent for such period as the untenantable portion of the Premises bears to the entire Premises. In no event will Landlord be liable for any inconvenience or annoyance to Tenant or injury to the business of Tenant resulting in any way from damage caused by fire or other casualty or the repair of such damage, provided however that, to the extent Tenant remains in possession of a portion of the Premises, Landlord will take all reasonable steps to minimize the disruption to Tenant's business and use of such portion of the Premises during the period of repair.

13. WAIVERS AND INDEMNITIES.

13.1 Landlord's Waivers.

As used in this Section 13, a party's "Affiliates" means that party's parent, subsidiary and affiliated corporations and its and their partners, ventures, directors, officers, shareholders, agents, servants and employees. Tenant and its Affiliates will not be liable or in any way responsible to Landlord for, and Landlord waives all claims against Tenant and its Affiliates for, any loss, injury or damage that is insured or required to be insured by Landlord under Sections 11.1(b), (c) or (d), so long as such loss, injury or damage results from or in connection with this Lease or Tenant's use and occupancy of the Premises. Landlord's waivers under this Section 13.1 will survive the expiration or early termination of the Term.

13.2 Tenant's Waivers.

Except to the extent caused by the willful or negligent act or omission or breach of this Lease by Landlord or anyone for whom Landlord is legally responsible, Landlord, its Affiliates and the holder of any Encumbrance will not be liable or in any way responsible for, and Tenant waives all claims against Landlord, its Affiliates and the holder of any Encumbrance for any loss, injury or damage suffered by Tenant or others relating to: (a) loss or theft of, or damage to, property of Tenant or others; (b) injury or damage to persons or property resulting from fire, explosion, falling plaster, escaping steam or gas, electricity, water, rain or snow, or leaks from any part of the Building or from any pipes, appliances or plumbing, or from dampness; or (c) damage caused by other tenants, occupants or persons in the Premises or other premises in the Building, or caused by the public or by construction of any private or public work. Landlord, its Affiliates and the holder of any Encumbrance will not be liable or in any way responsible to Tenant for, and Tenant waives all claims against Landlord, its Affiliates and the holder of any Encumbrance for, any loss, injury or damage that is insured or required to be insured by Tenant under Sections 11.2(b) or (c), so long as such loss, injury or damage results from or in connection with this Lease or Landlord's operation of the Building. Tenant's waivers under this Section 13.2 will survive the expiration or early termination of the Term.

13.3 Landlord's Indemnity.

Subject to Section 7.4 and 13.2 and except to the extent caused by the willful or negligent act or omission or breach of this Lease by Tenant or anyone for whom Tenant is legally responsible, Landlord will indemnify and hold Tenant harmless from and against any and all liability, loss, claims, demand, damages or expenses (including reasonable attorneys' fees) due to or arising out of any willful or negligent act or omission or breach of this Lease by Landlord or anyone for whom Landlord is legally responsible. Landlord's obligations under this Section 13.3 will survive the expiration or early termination of the Term.

13.4 Tenant's Indemnity.

Subject to Section 13.1 and except to the extent caused by the willful or negligent act or omission or breach of this Lease by Landlord or anyone for whom Landlord is legally responsible, Tenant will indemnify and hold Landlord and the holder of any Encumbrance harmless from and against any and all liability, loss, claims, demands, damages or expenses (including reasonable attorneys' fees) due to or arising out of any accident or occurrence on or about the Premises (including, without limitation, accidents or occurrences resulting in injury, death, property damage or theft) or any willful or negligent act or omission of or breach of this Lease by Tenant or anyone for whom Tenant is legally responsible. Tenant's obligations under this Section 13.4 will survive the expiration or early termination of the Term.

14. CONDEMNATION.

14.1 Full Taking.

If all or substantially all of the Building or Premises are taken for any public or quasi-public use under any applicable Laws or by right of eminent domain, or are sold to the condemning authority in lieu of condemnation, then this Lease will terminate as of the date the earlier of when the condemning authority takes physical possession of or title to the Building or Premises.

14.2 Partial Taking.

(a) Landlord's Termination of Lease. If only part of the Building or Premises is thus taken or sold, and if after such partial taking, in Landlord's reasonable judgment, alteration or reconstruction is not economically justified, then Landlord (whether or not the Premises are affected) may terminate this Lease by giving written notice to Tenant within 60 days after the taking.

(b) Tenant's Termination of Lease. If over 20% of the Premises is thus taken or sold and Landlord is unable to provide Tenant with comparable replacement premises in the Building, Tenant may terminate this Lease if in Tenant's reasonable judgment the Premises cannot be operated by Tenant in an economically viable fashion because of such partial taking. Such termination by Tenant must be exercised by written notice to Landlord given not later than 60 days after Tenant is notified of the taking of the Premises.

(c) Effective Date of Termination. Termination by Landlord or Tenant will be effective as of the date when physical possession of the applicable portion of the Building or Premises is taken by condemning authority.

(d) Election to Continue Lease. If neither Landlord nor Tenant elects to terminate this Lease upon a partial taking of a portion of the Premises, the Rent payable under this Lease will be diminished by an amount allocable to the portion of the Premises which was so taken or sold. If this Lease is not terminated upon a partial taking of the Building or Premises, Landlord will, at Landlord's sole expense, promptly restore and reconstruct the Building and Premises to substantially their former condition to the extent the same is feasible. However, Landlord will not be required to spend for such restoration or reconstruction an amount in excess of the net amount received by Landlord as compensation or damages for the part of the Building or Premises so taken.

14.3 Awards.

As between the parties to this Lease, Landlord will be entitled to receive, and Tenant assigns to Landlord, all of the compensation awarded upon taking of any part or all of the Building or Premises, including any award for the value of the unexpired Term. However, Tenant may assert a claim in a separate proceeding against the condemning authority for any damages resulting from the taking of Tenant's trade fixtures or personal property, or for moving expenses, business relocation expenses or damages to Tenant's business incurred as a result of such condemnation.

15. ASSIGNMENT AND SUBLETTING.

15.1 Limitation.

Without Landlord's prior written consent, Tenant will not assign all or any of its interest under this Lease, sublet all or any part of the Premises or permit the Premises to be used by any parties other than Tenant and its employees.

15.2 Notice of Proposed Transfer; Landlord's Options.

If Tenant desires to enter into any assignment of this Lease or a sublease of all or any part of the Premises, Tenant will first give Landlord written notice of the proposed assignment or sublease, which notice will contain the name and address of the proposed transferee, the proposed use of the Premises, statements reflecting the proposed transferee's current financial condition and income and expenses for the past 2 years, and the principal terms of the proposed assignment or sublease. Except in the case of any transfer permitted under Section 15.7, Landlord will have the option, which must be exercised, if at all, by notice given to Tenant within 10 days after Landlord's receipt of Tenant's notice of the proposed transfer, either (i) if Tenant's notice relates to a subletting, to sublet from Tenant such space as is described in the notice for such portion of the Term as is described in the notice, upon the same terms and conditions and for the same Rent (apportioned, as appropriate, to the amount of such space) as provided in this Lease; or (ii) if such notice relates to an assignment, to become Tenant's assignee.

15.3 Consent Not to be Unreasonably Withheld.

If Landlord does not exercise its applicable option under Section 15.2, then Landlord will not unreasonably withhold or delay its consent to the proposed assignment or subletting if each of the following conditions is satisfied:

(a) the proposed transferee, in Landlord's reasonable opinion, has sufficient financial capacity and business experience to perform Tenant's obligations under this Lease; and

(b) the proposed transferee will make use of the Premises which in Landlord's reasonable opinion (i) is lawful, (ii) is consistent with the permitted use of the Premises under this Lease, (iii) is consistent with the general character of business carried on by tenants of a first-class office building, (iv) does not conflict with any exclusive rights or covenants not to compete in favor of any other tenant or proposed tenant of the Building, (v) will not increase the likelihood of damage or destruction to the Building, (vi) will not cause an increase in insurance premiums for insurance policies applicable to the Building, and (viii) will not require new tenant improvements incompatible with then-existing Building systems and components; and

(c) the proposed transferee does not have a poor business reputation or reputation as being an undesirable tenant in the general business community; and

(d) the proposed transferee, at the time of the proposed transfer, is neither a tenant in any building owned or managed by Landlord or any affiliate of Landlord in the same city in which the Building is located, nor a party with whom Landlord is then negotiating for the lease of space in the Building; and

(e) if the proposed transfer is a sublease, the rent which the proposed transferee will be required to pay will be equal to at least 90% of the then-current market rent for the portion of the Premises being sublet; and

(f) at the time of the proposed transfer no "Default" (as defined in Section 20.1) exists under this Lease.

15.4 Form of Transfer.

If Landlord consents to a proposed assignment of sublease, Landlord's consent will not be effective unless and until Tenant delivers to Landlord an original duly executed assignment or sublease, as the case may be, that provides, in the case of a sublease, that the subtenant will comply with all applicable terms and conditions of this Lease, and, in the case of an assignment, an assumption by the assignee of all of the terms, covenants and conditions which this Lease requires Tenant to perform.

15.5 Payments to Landlord.

If Landlord does not exercise its applicable option under Section 15.2 and Tenant effects an assignment or sublease, then Landlord will be entitled to receive and collect, either from Tenant or directly from the transferee, 50% of the amount by which the consideration required to be paid by the transferee for the use and enjoyment of Tenant's rights under this Lease (after deducting from such consideration Tenant's reasonable costs incurred in effecting the assignment or sublease) exceeds the Rent payable by Tenant to Landlord allocable to the transferred space. Such percentage of such amount will be payable to Landlord at the time(s) Tenant receives the same from its transferee (whether in monthly installments, in a lump sum, or otherwise).

15.6 Change of Ownership.

Any change by Tenant in the form of its legal organization (such as, for example, a change from a general to a limited partnership), any transfer of 51% or more of Tenant's assets, and any other transfer of interest effecting a change in identity of persons exercising effective control of Tenant will be deemed an "assignment" of this Lease requiring Landlord's prior written consent. The transfer of any outstanding capital stock of a corporation whose stock is publicly-traded will not, however, be deemed a "transfer of interest" under this Section 15.6.

15.7 Permitted Transfers.

Tenant may, upon notice to Landlord, but without obtaining Landlord's consent, assign this Lease or sublease all or any part of the Premises to a wholly-owned subsidiary of Tenant, the parent of Tenant or any corporation into or with which Tenant may be merged or consolidated as long as said transferee has a net worth equal to or greater than Tenant.

15.8 Effect of Transfers.

No subletting or assignment will release Tenant from any of its obligations under this Lease unless Landlord agrees to the contrary in writing. Acceptance of Rent by Landlord from any person other than Tenant will not be deemed a waiver by Landlord of any provision of this Section 15. Consent to one assignment or subletting will not be deemed a consent to any subsequent assignment or subletting. In the event of any default by any assignee or subtenant or any successor of Tenant in the performance of any Lease obligation, Landlord may proceed directly against Tenant without exhausting remedies against such assignee, subtenant or successor. The voluntary or other surrender of this Lease by Tenant or the cancellation of this Lease by mutual agreement of Tenant and Landlord will not work a merger and will, at Landlord's option, terminate all or any subleases or operate as an assignment to Landlord of all or any subleases; such option will be exercised by notice to Tenant and all known subtenants in the Premises. If Landlord shall choose to take an assignment of a sublease then the subtenant shall be bound to Landlord for the balance of the Term thereof and shall attorn directly to Landlord under all of the executory terms of the sublease except that Landlord shall not (a) be liable for any previous act, omission or negligence of Tenant, (b) be subject to any counterclaim, defense or offset not expressly provided for in the sublease and accruing against Tenant, (c) be bound by any previous modification or amendment of the sublease made without Landlord's consent or by any previous prepayment of more than one month's Rent, or (d) be obligated to perform any repairs or other work beyond Landlord's obligation under this Lease. Each subtenant shall execute and deliver such instruments as Landlord may reasonably request to evidence said attornment.

16. PERSONAL PROPERTY.

16.1 Installation and Removal.

Tenant may install in the Premises its personal property (including Tenant's usual trade fixtures) in a proper manner, provided that no such installation will interfere with or damage the mechanical, plumbing or electrical systems or the structure of the Building, and provided further that if such installation would require any change, addition or improvement to the Premises, such installation will be subject to Section 9.1. If no Default then exists, any such personal property installed in the Premises by Tenant (a) may be removed from the Premises from time to time in the ordinary course of Tenant's business or in the course of making any changes, additions or improvements to the Premises permitted under Section 9.1 and (b) will be removed by Tenant at the end of the Term according to Section 3.4. Tenant will promptly repair at its expense any damage to the Building resulting from such installation or removal.

16.2 Responsibility.

Tenant will be solely responsible for all costs and expenses related to personal property used or stored in the Premises. Tenant will pay any taxes or other governmental impositions levied upon or assessed against such personal property, or upon Tenant for the ownership or use of such personal property, on or before the due date for payment. Such personal property taxes or impositions are not included in Taxes.

16.3 Landlord's Lien.

In addition to any statutory landlord's lien and in order to secure payment of all Rent becoming due from Tenant, and to secure payment of any damages or loss which Landlord may suffer by reason of Tenant's failure to perform any of its obligations under this Lease, Tenant grants to Landlord a security interest in and an express contractual lien upon all goods, wares, equipment, fixtures, furniture, improvements and other personal property of Tenant now or later situated on the Premises and all proceeds thereof. Tenant's personal property may not be removed from the Premises without Landlord's consent at any time a Default exists or, except as provided in Section 16.1, until all of Tenant's obligations under this lease have been fully complied with and performed. Upon the occurrence of a Default, in addition to any other available remedies, Landlord will have all the rights of a secured party under the Tennessee Uniform Commercial

Code with respect to the property covered by such security interest. Upon Landlord's request, Tenant agrees to execute and deliver to Landlord such financing statements as may be required to perfect such security interest.

17. ESTOPPEL CERTIFICATES.

Promptly upon Landlord's request after Tenant has occupied the Premises, Tenant will execute and deliver to Landlord an Occupancy Estoppel Certificate in the form of Exhibit C. In addition, Tenant agrees that at any time and from time to time (but on not less than 10 days' prior request by Landlord), Tenant will execute, acknowledge and deliver to Landlord a certificate indicating any or all of the following: (a) the Commencement Date and Expiration Date; (b) that this Lease is unmodified and in full force and effect (or, if there have been modifications, that this Lease is in full force and effect, as modified, and stating the date and nature of each modification); (c) the date, if any, through which Base Rent, Additional Rent and any other Rent payable have been paid; (d) that no default by Landlord, to the best of Tenant's knowledge, or Tenant exists which has not been cured, except as to defaults stated in such certificate; (f) provided such events have occurred, that Tenant has accepted the Premises and that all improvements required to be made to the Premises by Landlord have been completed according to this Lease; (g) that, except as specifically stated in such certificate, Tenant, and only Tenant, currently occupies the Premises; and (h) such other matters as may be reasonably requested by Landlord. Any such certificate may be relied upon by Landlord and any prospective purchaser or present or prospective mortgagee, deed of trust beneficiary or ground lessor of all or a portion of the Building.

18. TRANSFER OF LANDLORD'S INTEREST.

18.1 Sale, Conveyance and Assignment.

Nothing in this Lease will restrict Landlord's right to sell, convey, assign or otherwise deal with the Building or Landlord's interest under this Lease.

18.2 Effect of Sale, Conveyance or Assignment.

A sale, conveyance or assignment of the Building will automatically release Landlord from liability under this Lease from and after the effective date of the transfer, except for any liability relating to the period prior to such effective date; and Tenant will look solely to Landlord's transferee for performance of Landlord's obligations relating to the period after such effective date. This Lease will not be affected by any such sale, conveyance or assignment and Tenant will attorn to Landlord's transferee.

18.3 Subordination and Nondisturbance.

This Lease is and will be subject and subordinate in all respects to any ground lease, mortgage or deed of trust now or later encumbering the Building, and to all their renewals, modifications, supplements, consolidations and replacements (an "Encumbrance"). With respect to any Encumbrance first encumbering the Building subsequent to the Date of this Lease, Landlord will use its good faith efforts to cause the holder of such Encumbrance to agree (either in the Encumbrance or in a separate agreement with Tenant) that so long as Tenant is not in default of its obligations under this Lease, this Lease will not be terminated and Tenant's possession of the Premises will not be disturbed by the termination or foreclosure, or proceedings for enforcement, of such Encumbrance. While such subordination will occur automatically, Tenant agrees, upon request by and without cost to Landlord or any successor in interest, to promptly execute and deliver to Landlord or the holder of an Encumbrance such instrument(s) as may be reasonably required to evidence such subordination. In the alternative, however, the holder of an Encumbrance may unilaterally elect to subordinate such Encumbrance to this Lease.

18.4 Attornment.

If the interest of Landlord is transferred to any person (a "Successor Landlord") by reason of the termination or foreclosure, or proceedings for enforcement, of an Encumbrance, or by delivery of a deed in lieu of such foreclosure or proceedings, Tenant will immediately and automatically attorn to the Successor Landlord. Upon attornment this Lease will continue in full force and effect as a direct lease between the Successor Landlord and Tenant, upon all of the same terms, conditions and covenants as stated in this

Lease except that a Successor Landlord shall not be (a) liable for any previous act or omission or negligence of Landlord under this Lease, (b) subject to any counterclaim defense or offset not expressly provided for in this Lease and asserted with reasonable promptness, which therefore shall have accrued to Tenant against Landlord, (c) bound by any previous modification or amendment of this Lease or by any previous prepayment of more than one month's Rent, unless such modification or prepayment shall have been approved in writing by the holder of any Encumbrance through or by reason of which the Successor Landlord shall have succeeded to the rights of Landlord under this Lease or (d) obligated to perform any repairs or other work beyond Landlord's obligations under this Lease. Tenant agrees, upon request by and without cost to the Successor Landlord, to promptly execute and deliver to the Successor Landlord such instrument(s) as may be reasonably required to evidence such attornment.

19. RULES AND REGULATIONS.

Tenant agrees to faithfully observe and comply with the Rules and Regulations set forth in Exhibit D and with all reasonable modifications and additions to such Rules and Regulations (which will be applicable to all Building tenants) from time to time adopted by Landlord and of which Tenant is notified in writing. No such modification or addition will contradict or abrogate any right expressly granted to Tenant under this Lease. Landlord's enforcement of the Rules and Regulations will be uniform and nondiscriminatory, but Landlord will not be responsible to Tenant for failure of any person to comply with the Rules and Regulations.

20. TENANT'S DEFAULT AND LANDLORD'S REMEDIES.

20.1 Default.

This Lease and the Term and rights hereby granted are subject to the following limitations which will each constitute a material breach by Tenant and a "Default" under this Lease:

(a) Failure to Pay Rent. Tenant fails to pay Base Rent, Additional Rent or any other Rent payable by Tenant under the terms of this Lease when due, and such failure continues for 5 days after written notice from Landlord to Tenant of such failure; provided that with respect to Base Rent and Additional Rent, Tenant will be entitled to only 3 notices of such failure during any Lease Year and if, after 3 such notices are given in any Lease Year, Tenant fails, during such Lease Year, to pay any such amounts when due, such failure will constitute a Default without further notice by Landlord or additional cure period.

(b) Failure to Perform Other Obligations. Tenant breaches or fails to comply with any other provision of this Lease applicable to Tenant, and such breach or noncompliance continues for a period of 5 days after notice by Landlord to Tenant; or, if such breach or noncompliance cannot be reasonably cured within such 5-day period, Tenant does not in good faith commence to cure such breach or noncompliance within such 5-day period or does not diligently complete such cure as soon as possible, but no later than 60 days after such notice from Landlord. However, if such breach or noncompliance causes or results in (i) a dangerous condition on the Premises or the Building, (ii) any insurance coverage carried by Landlord or Tenant with respect to the Premises or Building being jeopardized, or (iii) a material disturbance to another tenant, then a Default will exist if such breach or noncompliance is not cured as soon as reasonably possible after notice by Landlord to Tenant, and in any event is not cured within 30 days after such notice. For purposes of this Section 20.1 (b), financial inability will not be deemed a reasonable ground for failure to immediately cure any breach of, or failure to comply with, the provisions of this Lease.

(c) Nonoccupancy of Premises. Tenant fails to occupy and use the Premises within 15 days after the Commencement Date or leaves substantially all of the Premises unoccupied for 15 consecutive days or vacates and abandons substantially all of the Premises.

(d) Transfer of Interest without Consent. Tenant's interest under this Lease or in the Premises is transferred or passes to, or devolves upon, any other party in violation of Section 15.

(e) Execution and Attachment Against Tenant. Tenant's interest under this Lease or in the Premises is taken upon execution or by other process of law directed against Tenant, or is subject to any attachment by any creditor or claimant against Tenant and such attachment is not discharged or disposed of within 15 days after levy.

(f) Bankruptcy or Related Proceedings. Tenant files a petition in bankruptcy or insolvency, or reorganization or arrangement under any bankruptcy or insolvency Laws, or voluntarily takes advantage of any such Laws by answer or otherwise, or dissolves or makes an assignment for the benefit of creditors, or involuntary proceedings under any such Laws or for the dissolution of Tenant are instituted against Tenant, or a receiver or trustee is appointed for the Premises or for all or substantially all of Tenant's property, and such proceedings are not dismissed or such receivership or trusteeship vacated within 60 days after such institution or appointment.

20.2 Remedies.

Time is of the essence. If any Default occurs, Landlord will have the right, at Landlord's election, then or at any later time, to exercise any one or more of the remedies described below. Exercise of any of such remedies will not prevent the concurrent or subsequent exercise of any other remedy provided for in this Lease or otherwise available to Landlord at law or in equity.

(a) Cure by Landlord. Landlord may, at Landlord's option but without obligation to do so, and without releasing Tenant from any obligations under this Lease, make any payment or take any action as Landlord deems necessary or desirable to cure any Default in such manner and to such extent as Landlord deems necessary or desirable. Landlord may do so without additional demand on, or additional written notice to, Tenant and without giving Tenant an additional opportunity to cure such Default. Tenant covenants and agrees to pay Landlord, upon demand, all advances, costs and expenses of Landlord in connection with making any such payment or taking any such action, including reasonable attorney's fees, together with interest at the rate described in Section 4.5, from the date of payment of any such advances, costs and expenses by Landlord.

(b) Termination of Lease and Damages. Landlord may terminate this Lease, effective at such time as may be specified by written notice to Tenant, and demand (and, if such demand is refused, recover) possession of the Premises from Tenant. Tenant will remain liable to Landlord for damages in an amount equal to the Base Rent, Additional Rent and other Rent which would have been owing by Tenant for the balance of the Term had this Lease not been terminated, less the net proceeds, if any, of any reletting of the Premises by Landlord subsequent to such termination, after deducting all Landlord's expenses in connection with such recovery of possession or reletting. Landlord will be entitled to collect and receive such damages from Tenant on the days on which the Base Rent, Additional Rent and other Rent would have been payable if this Lease had not been terminated. Alternatively, at Landlord's option, Landlord will be entitled to recover from Tenant, as damages for loss of the bargain and not as a penalty, an aggregate sum equal to: (i) all unpaid Base Rent, Additional Rent and other Rent for any period prior to the termination date of this Lease (including interest from the due date to the date of the award at the rate described in Section 4.5), plus any other sum of money and damages owed by Tenant to Landlord for events or actions occurring prior to the termination date; plus (ii) the present value at the time of termination (calculated at the rate commonly called the discount rate in effect at the Federal Reserve Bank of New York on the termination date) of the amount, if any, by which (A) the aggregate of the Base Rent, Additional Rent and all other Rent payable by Tenant under this Lease that would have accrued for the balance of the Term after termination (with respect to Additional Rent, such aggregate will be calculated by assuming that Expenses and Taxes for the Fiscal Year in which termination occurs and for each subsequent Fiscal Year remaining in the Term if this Lease had not been terminated will increase by 8% per year over the amount of Expenses and Taxes for the prior Fiscal Year), exceeds (B) the amount of such Base Rent, Additional Rent and other Rent which Landlord will receive for the remainder of the Term from any reletting of the Premises occurring prior to the date of the award, or if the Premises have not been relet prior to the date of the award, the amount, if any, of such Base Rent, Additional Rent and other Rent which could reasonably be recovered by reletting the Premises for the remainder of the Term at the then-current fair rental value, in either case taking into consideration loss of rent while finding a new tenant, tenant improvements and rent abatements necessary to secure a new tenant, leasing brokers' commissions and

other costs which Landlord has incurred or might incur in leasing the Premises to a new tenant; plus (iii) interest on the amount described in (ii) above from the termination date to the date of the award at the rate described in Section 4.5.

(c) Repossession and Reletting. Landlord may, with due process of law, re-enter and take possession of all or any part of the Premises, without additional demand or notice, and repossess the same and expel Tenant and any party claiming by, through or under Tenant, and remove the effects of both using such force for such purposes as may be necessary, without being liable for prosecution for such action or being deemed guilty of any manner of trespass, and without prejudice to any remedies for arrears of Rent or right to bring any proceeding for breach of covenants or conditions. No such reentry or taking possession of the Premises by Landlord will be construed as an election by Landlord to terminate this Lease unless a written notice of such intention is given to Tenant. No notice from Landlord or notice given under a forcible entry and detainer statute or similar Laws will constitute an election by Landlord to terminate this Lease unless such notice specifically so states. Landlord reserves the right, following any reentry or reletting, to exercise its right to terminate this Lease by giving Tenant such written notice, in which event the Lease will terminate as specified in such notice. After recovering possession of the Premises, Landlord may, from time to time, but will not be obligated to, relet all or any part of the Premises for Tenant's account, for such term or terms and on such conditions and other terms as Landlord, in its discretion, determines. Landlord may make such repairs, alterations or improvements as Landlord considers appropriate to accomplish such reletting, and Tenant will reimburse Landlord upon demand for all costs and expenses, including attorneys' fees, which Landlord may incur in connection with such reletting. Landlord may collect and receive the rents for such reletting but Landlord will in no way be responsible or liable for any failure to relet the Premises or for any inability to collect any rent due upon such reletting. Regardless of Landlord's recovery of possession of the Premises, Tenant will continue to pay on the dates specified in this Lease, the Base Rent, Additional Rent and other Rent which would be payable if such repossession had not occurred, less a credit for the net amounts, if any, actually received by Landlord through any reletting of the Premises. Alternatively, at Landlord's option, Landlord will be entitled to recover from Tenant, as damages for loss of the bargain and not as a penalty, an aggregate sum equal to (i) all unpaid Base Rent, Additional Rent and other Rent for any period prior to the repossession date (including interest from the due date to the date of the award at the rate described in Section 4.5), plus (ii) the present value at the time of repossession (calculated at the rate commonly called the discount rate in effect at the Federal Reserve Bank of New York on the repossession date) of the amount, if any, by which (A) the aggregate of the Base Rent, Additional Rent and all other Rent payable by Tenant under this Lease that would have accrued for the balance of the Term after repossession (with respect to Additional Rent, such aggregate will be calculated by assuming that Expenses and Taxes for the Fiscal Year in which repossession occurs and for each subsequent Fiscal Year remaining in the Term if Landlord had not repossessed the Premises will increase by 8% per year over the amount of Expenses and Taxes for the prior Fiscal Year), exceeds (B) the amount of such Base Rent, Additional Rent and other Rent which Landlord will receive for the remainder of the Term from any reletting of the Premises occurring prior to the date of the award, or if the Premises have not been relet prior to the date of the award, the amount, if any, of such Base Rent, Additional Rent and other Rent which could reasonably be recovered by reletting the Premises for the remainder of the Term at the then-current fair rental value, in either case taking into consideration loss of rent while finding a new tenant, tenant improvements and rent abatements necessary to secure a new tenant, leasing brokers' commissions and other costs which Landlord has incurred or might incur in leasing the Premises to a new tenant; plus (iii) interest on the amount described in (ii) above from the repossession date to the date of the award at the rate described in Section 4.5.

(d) Bankruptcy Relief. Nothing contained in this Lease will limit or prejudice Landlord's right to prove and obtain as liquidated damages in any bankruptcy, insolvency, receivership, reorganization or dissolution proceeding, an amount equal to the maximum allowable by any Laws governing such proceeding in effect at the time when such damages are to be proved, whether or not such amount be greater, equal or less than the amounts recoverable, either as damages or Rent, under this Lease.

21. LANDLORD'S DEFAULT AND TENANT'S REMEDIES.

21.1 Default.

If Tenant believes that Landlord has breached or failed to comply with any provision of this Lease applicable to Landlord, Tenant will give written notice to Landlord describing the alleged breach or noncompliance. Landlord will not be deemed in default under this Lease if Landlord cures the breach or noncompliance within 20 days after receipt of Tenant's notice or, if the same cannot reasonably be cured within such 20-day period, if Landlord in good faith commences to cure such breach or noncompliance within such period and then diligently pursues the cure to completion. Tenant will also send a copy of such notice to the holder of any Encumbrance of whom Tenant has been notified in writing, and such holder will also have the right to cure the breach or noncompliance within the period of time described above.

21.2 Remedies.

If Landlord breaches or fails to comply with any provision of this Lease applicable to Landlord, and such breach or noncompliance is not cured within the period of time described in Section 21.1, then Tenant may exercise any right or remedy available to Tenant at law or in equity, except to the extent expressly waived or limited by the terms of this Lease.

21.3 Cure by Encumbrance Holder.

If any act or omission by Landlord shall give Tenant the right, immediately or after the lapse of time, to cancel or terminate this Lease or to claim a partial or total eviction, Tenant shall not exercise any such right until (a) it shall have given written notice of such act or omission to each holder of any Encumbrance and (b) a reasonable period for remedying such act or omission shall have elapsed following such notice and following the time when such holder of an Encumbrance shall have become entitled under its Encumbrance to remedy the same (which shall in no event be less than the period to which Landlord would be entitled under this Lease to effect such remedy) provided such holder of an Encumbrance shall, with reasonable diligence, give Tenant notice of its intention to remedy such act or omission and shall commence and continue to act upon such intention.

22. SECURITY DEPOSIT.

22.1 Amount.

Upon execution of this Lease, Tenant will deposit the Security Deposit with Landlord in the amount described in Section 1.1(k). During each Lease year subsequent to the first Lease year, Tenant will, within 30 days after Landlord's written request, further deposit with Landlord, as additional Security Deposit held by Landlord to be equal to one month's installment of the then-current Base Rent plus one month's installment of the then-estimated Additional Rent. Landlord and Tenant intend the Security Deposit to be used solely as security for Tenant's faithful and diligent performance of all of Tenant's obligations under this Lease. The Security Deposit will remain in Landlord's possession for the entire Term, and Landlord will not be required to segregate it from Landlord's general funds. Tenant will not be entitled to any interest on the Security Deposit.

22.2 Use and Restoration.

If Tenant fails to perform any of its obligations under this Lease, Landlord may, at its option, use, apply or retain all or any part of the Security Deposit for the payment of: (1) any Rent in arrears; (2) any expenses Landlord may incur as a direct or indirect result of Tenant's failure to perform; and (3) any other losses or damages Landlord may suffer as a direct or indirect result of Tenant's failure to perform. If Landlord so uses or applies all or any portion of the Security Deposit, Landlord will notify Tenant of such use or application and Tenant will, within 10 days after the date of Landlord's notice, deposit with Landlord a sum sufficient to restore the Security Deposit to the amount held by Landlord immediately prior to such use or application. Tenant's failure to so restore the Security Deposit will constitute a Default.

22.3 Transfers.

Tenant will not assign or encumber the Security Deposit without Landlord's express written consent. Neither Landlord nor its successors or assigns will be bound by any assignment or encumbrance unless Landlord has given its consent. Landlord will have the right, at any time and from time to time, to transfer

the Security Deposit to any purchaser or lessee of the entire Building. Upon any such transfer, Tenant agrees to look solely to the new owner or lessee for the return of the Security Deposit.

22.4 Refund.

Provided that Tenant has fully and faithfully performed all of its obligations under this Lease, Landlord will refund the Security Deposit, or any balance remaining, to Tenant or, at Landlord's option, to the latest assignee of Tenant's interest under this Lease, within 60 days after the expiration or early termination of the Term and Tenant's vacation and surrender of the Premises to Landlord in the condition required by Section 3.4. If Tenant fails to make any final estimated payment of Additional Rent required by Landlord according to Section 4.2(c), Landlord may withhold such final payment from the amount of the Security Deposit refund. Landlord's obligations under this Section 22.4 will survive the expiration or early termination of the Term.

23. BROKERS.

Landlord and Tenant represent and warrant that no broker or agent negotiated or was instrumental in negotiating or consummating this Lease except the Brokers. Neither party knows of any other real estate broker or agent who is or might be entitled to a commission or compensation in connection with this Lease. Landlord will pay all fees, commissions or other compensation payable to the Brokers to be paid by Landlord according to Section 1.1(p) and Tenant will pay all fees, commissions or other compensation payable to the Brokers to be paid by Tenant according to Section 1.1(p). Tenant and Landlord will indemnify and hold each other harmless from all damages paid or incurred by the other resulting from any claims asserted against either party by brokers or agents claiming through the other party. Landlord's obligation under this Section 23 will survive the expiration or early termination of the Term.

24. LIMITATIONS ON LANDLORD'S LIABILITY.

Any liability for damages, breach or nonperformance by Landlord, or arising out of the subject matter of, or the relationship created by, this Lease, will be collectible only out of Landlord's interest in the Building and no personal liability is assumed by, or will at any time be asserted against, Landlord, its parent and affiliated corporations, its and their partners, venturers, directors, officers, agents, servants and employees, or any of its or their successors or assigns; all such liability, if any, being expressly waived and released by Tenant. Landlord's review, supervision, commenting on or approval of any aspect of work to be done by or for Tenant (under Section 9, Exhibit B or otherwise) are solely for Landlord's protection and except as expressly provided, create no warranties or duties to Tenant or to third parties.

25. NOTICES.

All notices required or permitted under this Lease must be in writing and will only be deemed properly given and received: (a) when actually given and received, if delivered in person to a party who acknowledges receipt in writing; or (b) one business day after deposit with a private courier or overnight delivery service, if such courier or service obtains a written acknowledgment of receipt; or (c) 2 business days after deposit in the United States mails, certified or registered mail with return receipt requested and postage prepaid. All such notices must be transmitted by one of the methods described above to the party to receive the notice at, in the case of notices to Landlord, both Landlord's Building Address and Landlord's General Address, and in the case of notices to Tenant, the applicable Tenant's Notice Address, or, in either case, at such other address(es) as either party may notify the other of according to this Section 25. Time shall be of the essence for the giving of all notices required or permitted under the provisions of this Lease.

26. MISCELLANEOUS.

26.1 Binding Effect.

Each of the provisions of this Lease will extend to bind or inure to the benefit of, as the case may be, Landlord and Tenant, and their respective heirs, successors and assigns, provided this clause will not permit any transfer by Tenant contrary to the provisions of Section 15.

26.2 Complete Agreement; Modification.

All of the representations and obligations of the parties are contained in this Lease and no modification, waiver or amendment of this Lease or of any of its conditions or provisions will be binding upon a party unless in writing signed by such party.

26.3 Delivery For Examination.

Submission of the form of the Lease for examination will not bind Landlord in any manner, and no obligations will arise under this Lease until it is signed by both Landlord and Tenant and delivery is made to each.

26.4 No Air Rights.

This Lease does not grant any easements or rights for light, air or view. Any diminution or blockage of light, air or view by any structure or condition now or later erected will not affect this Lease or impose any liability on Landlord.

26.5 Enforcement Expenses.

Each party agrees to pay, upon demand, all of the other party's costs, charges and expenses, including the fees and out-of-pocket expenses of counsel, agents, and others retained, incurred in successfully enforcing the other party's obligations under this Lease. All obligations under this Section 26.5 will survive the expiration or early termination of the Term.

26.6 Building Planning.

At any time after the Date, Landlord may (upon at least 90 days' prior notice) substitute for the Premises other premises in the Building ("New Premises") provided that the New Premises will be similar to the Premises in area and usable for Tenant's purpose. If Tenant is already occupying the Premises, then Landlord will also pay the reasonable expenses of Tenant's moving from the Premises to the New Premises and for improving the New Premises so that the leasehold improvements in the New Premises are substantially similar to those in the Premises. Such move will be made during evenings, weekends or otherwise so as to incur the least inconvenience to Tenant.

26.7 Building Name.

Tenant will not, without Landlord's consent, use Landlord's or the Building's name, or any facsimile or reproduction of the Building, for any purpose; except that Tenant may use the Building's name in the address of the business to be conducted by Tenant in the Premises. Landlord reserves the right, upon reasonable prior notice to Tenant, to change the name or address of the Building.

26.8 Building Standard.

The phrase "Building standard" will, in all instances, mean the type, brand and/or quality of materials Licensor designates from time to time to be the minimum quality to be used in the Building or the exclusive type, grade or quality of material to be used in the Building and the then-current standard described in Landlord's most recently published schedule of Building standard or, if no such schedule has been published, to the standard which commonly prevails in and for the entire Building.

26.9 No Waiver.

No waiver of any provision of this Lease will be implied by any failure of either party to enforce any remedy upon the violation of such provision, even if such violation is continued or repeated subsequently. No express waiver will affect any provision other than the one specified in such waiver, and that only for the time and in the manner specifically stated.

26.10 Recording; Confidentiality.

Tenant will not record this Lease, or a short form memorandum, without Landlord's written consent and any such recording without Landlord's written consent will be a Default. Tenant agrees to keep the Lease terms, provisions and conditions confidential and will not disclose them to any other person without Landlord's prior written consent. However, Tenant may disclose Lease terms, provisions and conditions to Tenant's accountants, attorneys, managing employees and others in privity with Tenant, as reasonably necessary for Tenant's business purposes, without such prior consent.

26.11 Captions.

The captions of sections are for convenience only and will not be deemed to limit, construe, affect or alter the meaning of such sections.

26.12 Invoices.

All bills or invoices to be given by Landlord to Tenant will be sent to Tenant's Invoice Address. Tenant may change Tenant's Invoice Address by notice to Landlord given according to Section 25. If Tenant fails to give Landlord specific written notice of its objections within 60 days after receipt of any bill or invoice from Landlord, such bill or invoice will be deemed true and correct and Tenant may not later question the validity of such bill or invoice or the underlying information or computations used to determine the amount stated.

26.13 Severability.

If any provision of this Lease is declared void or unenforceable by a final judicial or administrative order, this Lease will continue in full force and effect, except that the void or unenforceable provision will be deemed deleted and replaced with a provision as similar in terms to such void or unenforceable provision as may be possible and be valid and enforceable.

26.14 Jury Trial.

Landlord and Tenant waive trial by jury in any action, proceeding or counterclaim brought by Landlord or Tenant against the other with respect to any matter arising out of or in connection with this Lease, Tenant's use and occupancy of the Premises, or the relationship of Landlord and Tenant. However, such waiver of jury trial will not apply to any claims for personal injury. If Landlord commences any summary or other proceeding for non-payment of rent or recovery of possession of the Premises, Tenant shall not interpose any counterclaim in any such proceeding, unless failure to raise same would constitute a waiver.

26.15 Authority to Bind.

The individuals signing this Lease on behalf of Landlord and Tenant represent and warrant that they are empowered and duly authorized to bind Landlord or Tenant, as the case may be, to this Lease according to its terms.

26.16 Only Landlord/Tenant Relationship.

Landlord and Tenant agree that neither any provision of this Lease nor any act of the parties will be deemed to create any relationship between Landlord and Tenant other than the relationship of landlord and tenant.

26.17 Covenants Independent.

The parties intend that this Lease be construed as if the covenant between Landlord and Tenant are independent and that the Rent will be payable without offset, reduction or abatement for any cause except as otherwise specifically provided in this Lease.

26.18 Governing Law.

This Lease will be governed by and construed according to the laws of the State of Tennessee

26.19 Enforcement of Reasonable Consent.

Tenant hereby waives any claim against Landlord which it may have based upon any assertion that Landlord has unreasonably withheld or unreasonably delayed any consent or approval that, pursuant to the terms of this Lease, is not to be unreasonably withheld and Tenant agrees that its sole remedy shall be an action or proceeding to enforce any such provision or for specific performance, injunction or declaratory judgment. In the event of such a determination, the requested consent or approval shall be deemed to have been granted; provided, however, that Landlord shall have no liability to Tenant for its refusal or failure to give such consent or approval and the sole remedy for Landlord's unreasonably withholding or delaying of consent or approval shall be as provided in this Section.

Having read and intending to be bound by the terms and provisions of this Lease, Landlord and Tenant have signed it as of the Date.

TENANT:
CEDAR CHEMICAL CO.

By: John C. Bumpers
Printed Name: John C. Bumpers
Title: EXEC VP.

And By: Don Foster
Printed Name: Don Foster
Title: VP-Treasurer

LANDLORD:
TRIZECHAHN TBI CLARK TOWER, L.L.C.

By: Cynthia K. Yott
Printed Name: Cynthia K. Yott
Title: Assistant Secretary

And By: Antonio A. Bismonte
Printed Name: Antonio A. Bismonte
Title: Senior Vice President

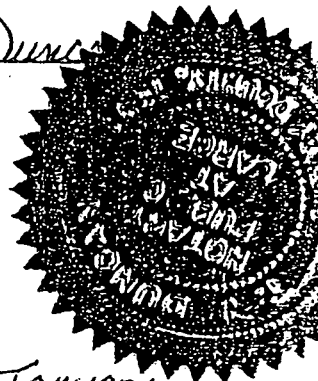
STATE OF Tennessee)
COUNTY OF Shelby) ss.

This Lease Agreement was acknowledged before me this 17th day of December, 1998
by John C. Burpee as VP Exec. of Finance
and Ron Fowler as VP Treasurer of _____

WITNESS my hand and official seal.

T. J. Duncanson
Notary Public

My commission expires: MY COMMISSION EXPIRES DEC. 12, 2001



STATE OF MICHIGAN)
COUNTY OF WAYNE) ss.

This Lease Agreement was acknowledged before me this 14th day of January, 1999 by Cynthia K. Yott as Assistant Secretary of TrizecHahn TBI Clark Tower, L.L.C.

WITNESS my hand and official seal.

Jean M. Wilson
Notary Public
JEAN M. WILSON
Notary Public, Oakland County, MI
My commission expires: My Commission Expires Dec. 16, 2001
Acting in Wayne County

STATE OF ILLINOIS)
COUNTY OF COOK) ss.

This Lease Agreement was acknowledged before me this 18th day of January, 1999 by Antonio A. Bismonte as Senior Vice President of TrizecHahn TBI Clark Tower, L.L.C.

WITNESS my hand and official seal.

Peggy Sutherland
Notary Public

My commission expires: _____

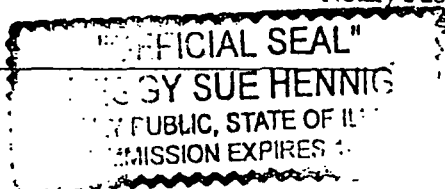


EXHIBIT A CLARK TOWER BUILDING PLAN DELINEATING THE PREMISES SUITES #2414

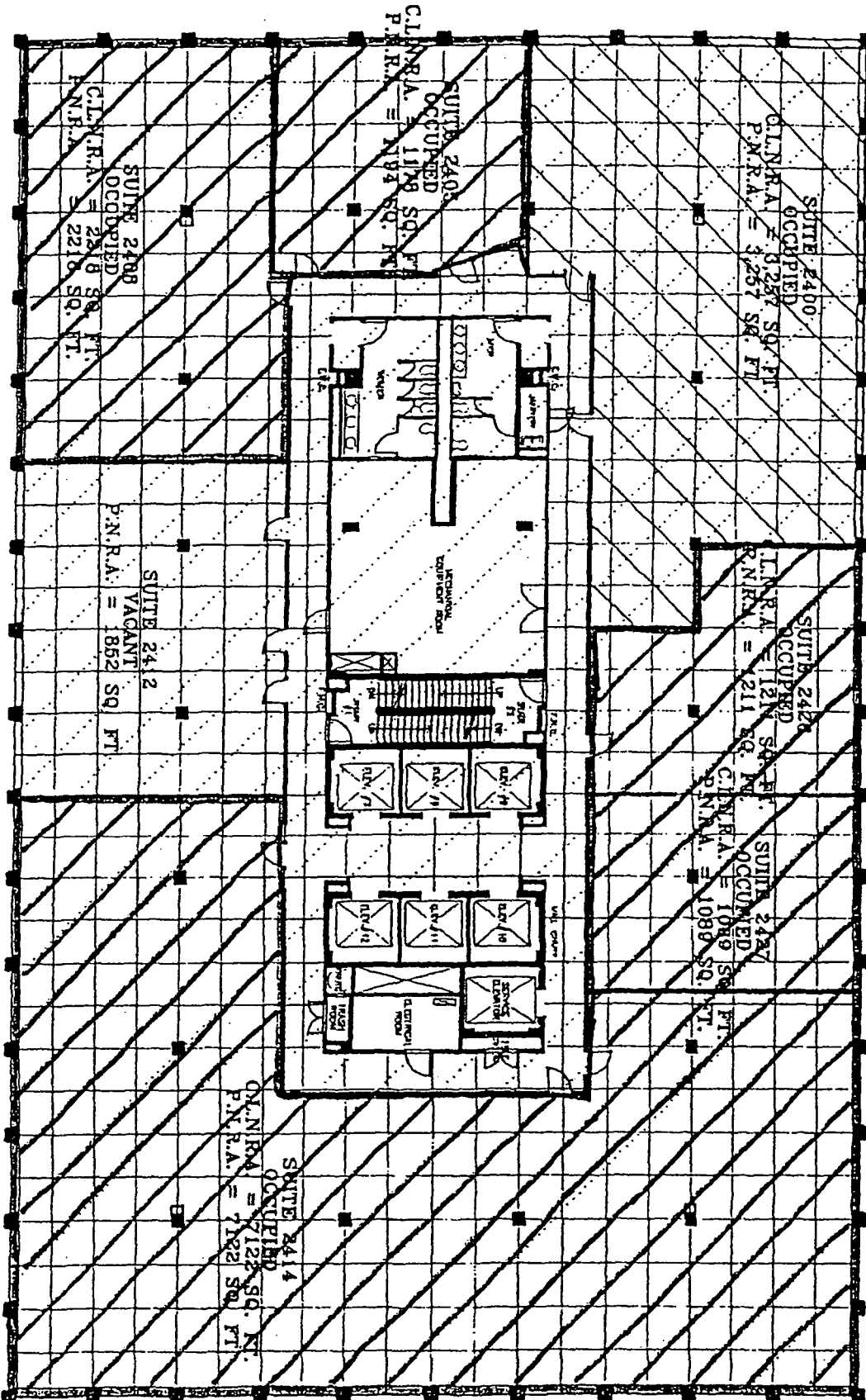
CLARK TOWER

FLOOR OCCUPANCY SUMMARY
MEMPHIS, TENNESSEE

- OCCUPIED
- VACANT
- OPTION OF PREV.
- PROPOSED
- CORRIDOR
- SPRINKLED

* REQUIRED SPRINKLER SYSTEM HEIGHTS ON IS UNDER CONTRACT

P.N.R.A. SUM = 17,943 SQ. FT.



24



SCALE 1" = 10'

CL.N.R.A. = CURRENT LEASE VALUE FOR NET RENTABLE AREA
P.N.R.A. = NET RENTABLE AREA BASED ON PRO FORMA USABLE AREA (1.1764 ADD ON FACTOR)

(LArchL Work/Allowance)

**EXHIBIT B
CLARK TOWER BUILDING
POSSESSION AND LEASEHOLD IMPROVEMENTS AGREEMENT
SUITE #2414**

1. **Conflicts; Terms.** If there is any conflict or inconsistency between the provision of the Lease and those of this Exhibit B ("Work Letter"), the provisions of this Work Letter will control. Except for those terms expressly defined in this Work Letter, all initially capitalized terms will have the meanings stated for such terms in the Lease. The following terms, which are not defined in the Lease, have the meanings indicated:

(a) "Commencement Date" means the first day of the Term, which will be the Scheduled Commencement Date set forth in Section 1.1(g) of the Lease, unless the Commencement Date is extended according to Section 3.3 of the Lease.

(b) "Landlord's Representative" means TrizecHahn Design and Construction Department.

(c) "Tenant's Representative" means _____

(d) "Submission Date" means 30 days prior to commencement of construction but not later than the Date of the Lease.

(e) "Landlord's Allowance" means \$8.25 per rentable square foot of the Premises (as defined in Section 1.1(d) of the Lease).

(f) "Leasehold Improvements" means all alterations, improvements and installations to be constructed or installed by Landlord for Tenant in the Premises according to this Work Letter including but not limited to recarpeting Suites 2414, 2427 and 2428 of the Premises and relocating three doors in Suite 2428.

(g) "Preliminary Plans" means space plans and general specifications for the Leasehold Improvements.

(h) "Construction Documents" means complete construction plans and specifications for the Leasehold Improvements.

(i) "Total Cost" means the total cost of preparing the Preliminary Plans and Construction Documents, obtaining all necessary permits, constructing and installing the Leasehold Improvements in the Premises (including any Additional Tenant Work), and providing any Building services required during construction (such as electricity and other utilities, refuse removal and housekeeping), plus the Construction Administration Fee to compensate Landlord for its construction administration services which will include providing Landlord's personnel to coordinate the design and construction process, assist in obtaining any approvals required from Landlord and any governmental agencies, and assist in scheduling deliveries.

2. **Landlord's Obligations.** Landlord will proceed to complete the Premises according to this Work Letter and tender possession of the Premises to Tenant when the Leasehold Improvements have been completed to the extent that only minor construction details, which would not materially interfere with Tenant's use and enjoyment of the Premises, require completion or correction. Tenant will accept the Premises when Landlord tenders possession, provided that the Leasehold Improvements have been substantially completed as described above, and provided further that Tenant will not be required to accept possession prior to the Scheduled Commencement Date. Landlord and Tenant agree that all alterations;

improvements and additions made to the Premises according to this Work Letter, whether paid for by Landlord or Tenant, will, without compensation to Tenant, become Landlord's property upon installation and will remain Landlord's property at the expiration or earlier termination of the Term.

3. **Punch List.** Tenant's taking possession of any portion of the Premises will be conclusive evidence that such portion of the Premises was in good order and satisfactory condition when Tenant took possession, except as to any patent defects identified on a punch list prepared and signed by Landlord's Representative and Tenant's Representative after an inspection of the Premises by both such parties when Tenant takes possession, and except as to any latent defects of which Tenant notifies Landlord in writing within one year after the Commencement Date. Failure to advise Landlord in writing within one year of the Commencement Date of any latest defects shall result in a waiver of any claims regarding said defects by Tenant. Landlord will not be responsible for any items of damage caused by Tenant, its agents, independent contractors or suppliers. No promises to alter, remodel or improve the Premises or Building and no representations concerning the condition of the Premises or Building have been made by Landlord to Tenant other than as may be expressly stated in the Lease (including this Work Letter).

4. **Representatives.** Landlord appoints Landlord's Representative to act for Landlord in all matters covered by this Work Letter. Tenant appoints Tenant's Representative to act for Tenant in all matters covered by this Work Letter. All inquiries, requests, instructions, authorizations and other communications with respect to the matters covered by this Work Letter will be made to Landlord's Representative or Tenant's Representative, as the case may be. Tenant will not make any inquiries of or request to, and will not give any instructions or authorizations to, any other employee or agent of Landlord, including Landlord's architect, engineers and contractors or any of their agents or employees, with regard to matters covered by this Work Letter. Either party may change its Representative under this Work Letter at any time by 3 days' prior written notice to the other party.

5. **Preliminary Plans.** On or before the Submission Date, Tenant will cooperate with Landlord and submit all information necessary for preparation of the Preliminary Plans ("Design Information"). Each day after the Submission Date until Tenant has provided all Design Information will be a day of Tenant's delay. Promptly after receipt of all Design Information, Landlord will cause its architect to prepare the Preliminary Plans based on the submitted Design Information. Within 5 business days after receipt of the proposed Preliminary Plans are submitted to Tenant until Tenant either approves them or delivers such notice of objections, Landlord will cause its architect to prepare revised Preliminary Plans according to such notice submit the revised Preliminary Plans to Tenant. Upon submittal to Tenant of the revised Preliminary Plans, and upon submittal of any further revisions, the procedures described above will be repeated. If the revised Preliminary Plans, or any further revisions, are consistent with the Design information and all requirements identified in Tenant's prior notice(s) of objections, then each day following Landlord's receipt of Tenant's notice of any additional objections until the day on which Landlord receives Tenant's written approval of the Preliminary Plans will be a day of Tenant's delay.

6. **Cost Estimate.** At such time as Preliminary Plans that have been approved in writing by both Landlord and Tenant have been prepared, Landlord will obtain, and notify Tenant of, an estimate of the Total Cost based on the approved Preliminary Plans ("Cost Estimate"). If the Cost Estimate is less than or equal to Landlord's allowance, then Tenant will be deemed to have approved the Cost Estimate. If the Cost Estimate is greater than Landlord's Allowance, then Tenant, at Tenant's option, may either approve the Cost Estimate in writing or elect to eliminate or revise one or more items shown on the Preliminary Plans so as to reduce the Cost Estimate (based on the revised Preliminary Plans). If the original Cost Estimate is greater than Landlord's Allowance, then each day following the 5th business day after Tenant's receipt of such Cost Estimate until the day Landlord receives Tenant's written approval of the Cost Estimate (as the same may have been revised) will be a day of Tenant's delay. If Tenant has failed to approve any cost estimate within 30 days of receipt of the original Cost Estimate, then Landlord shall have the option to deem the last revised Cost Estimate to be approved.

7. **Construction Documents; Cost Proposal.** At such time as the Cost Estimate has been approved (or deemed approved) by Tenant, Landlord will cause its architect and engineer to prepare the Construction Documents based strictly on the Preliminary Plans. The Construction Documents will be subject to

Landlord's approval and Tenant will be given an opportunity to review the Construction Documents to confirm that they conform to the Preliminary Plans. At such time as the Construction Documents have been so approved, reviewed and confirmed, Landlord will obtain bids for the construction or installation of the Leasehold Improvements according to the Construction Documents and will notify Tenant of the proposed Total Cost based on such bids ("Cost Proposal"). If the Cost Proposal is less than or equal to the Cost Estimate approved by Tenant, then Tenant, at Tenant's option, may either approve the Cost Proposal in writing or elect to eliminate or revise one or more items shown on the Construction Documents so as to reduce the Cost Proposal and then approve in writing the reduced Cost Proposal (based on the revised Construction Documents). If the Cost Proposal approved or deemed approved by Tenant is greater than Landlord's Allowance, then Tenant will immediately deposit with Landlord an amount ("Construction Deposit") equal to one-half of the difference between Landlord's Allowance and the approved Cost Proposal. Each day following the 5th business day after Tenant's receipt of the Cost Proposal until the day on which Landlord has received Tenant's written approval of the Cost Proposal (if required) and Landlord has received the Construction Deposit (if required) will be a day of Tenant's delay. If Tenant has failed to approve any Cost Proposal within 30 days of receipt of the original Cost Proposal, then Landlord shall have the option to deem the last revised Cost Proposal to be approved.

8. **Construction of Leasehold Improvements.** At such time as Tenant has approved (or is deemed to have approved) the Cost Proposal and has made any required Construction Deposit, Landlord will cause the Leasehold Improvements to be constructed or installed in the Premises in a good and workmanlike manner and according to the Construction Documents and all applicable laws. Upon substantial completion of the construction and installation of the Leasehold Improvements and prior to Tenant's occupancy of the Premises, Tenant will pay to Landlord the amount, if any, by which the Total Cost exceeds the sum of the Landlord's Allowance and the Construction Deposit. Tenant will not be entitled to any credit if Landlord's Allowance exceeds the Total Cost.

9. **Change Orders.** Tenant's Representative may authorize changes in the work during construction only by written instructions to Landlord's Representative on a form approved by Landlord. All such changes will be subject to Landlord's prior written approval according to Paragraph 11 below. Prior to commencing any change, Landlord will prepare and deliver to Tenant, for Tenant's approval, a change order ("Change Order") identifying the total cost of such change, which will include associated architectural, engineering and construction contractor's fees, and an amount sufficient to reimburse Landlord for overhead and related expenses incurred in connection with the Change Order. If Tenant fails to approve for such Change Order within 10 business days after delivery by Landlord, Tenant will not proceed to perform the change. Upon Landlord's receipt of Tenant's approval, Landlord will proceed to perform the change. Tenant will pay the total cost of any Change Orders within 10 days of their approval of same.

10. **Additional Tenant Work.** If Tenant desires any work in addition to the Leasehold Improvements to be performed in the Premises ("Additional Tenant Work"), Tenant, at Tenant's expense, will cause plans and specifications for such work to be prepared either by Landlord's architect or engineer or by consultants of Tenant's own selection. All plans and specifications for Additional Tenant Work, Landlord will, perform said Additional Tenant Work pursuant to the terms of this Exhibit B. Tenant shall pay to Landlord the total cost of any Additional Tenant Work (including an amount equal to 15% of all other costs of Additional Tenant Work for Landlord's Construction Administration) within 10 days of receipt of Landlord's written invoice.

11. **Landlord's Approval.** All Preliminary Plans, Construction Documents and Change Orders; and any drawings, space plans, plans and specifications for any Additional Tenant Work or any other improvements or installations in the Premises, are expressly subject to Landlord's prior written approval. Landlord may withhold its approval of any such items that require work which:

- (a) exceeds or adversely affects the capacity or integrity of the Building's structure or any of its heating, ventilating, air conditioning, plumbing, mechanical, electrical, communications or other systems;
- (b) is not approved by the holder of any Encumbrance;

- (c) would not be approved by a prudent owner of property similar to the Building;
- (d) violates any agreement which affects the Building or binds Landlord;
- (e) Landlord reasonably believes will increase the cost of operating or maintaining any of the Building's systems;
- (f) Landlord reasonably believes will reduce the market value of the Premises or the Building at the end of the Term;
- (g) does not conform to applicable building code or is not approved by any governmental authority having jurisdiction over the Premises;
- (h) does not meet or exceed Building standard; or
- (i) Landlord reasonably believes will infringe on the architectural or historical integrity of the Building.

12. **Tenant's Delays.** As provided in Section 3.3 of the Lease, the Term of the Lease (and therefore Tenant's obligation for the payment of Rent) will not commence until Landlord has substantially completed all work to be performed by Landlord as stated in Paragraph 8 above; provided, however, that if Landlord is delayed in substantially completing such work as a result of:

- (a) any Tenant delays described in Paragraphs 5, 6 or 7 above;
- (b) Tenant's request for materials or installations as a part of the Leasehold Improvements that are other than Building standard materials or installations that take longer to process or install than Building Standard materials or installation;
- (c) any Change Orders or changes in any drawings, plans or specifications requested by Tenant;
- (d) Tenant's failure to review or approve in a timely manner any item requiring Tenant's review or approval;
- (e) performance of any Additional Tenant Work or any failure to complete or delay in completion of such work; or
- (f) any other act or omission of Tenant or Tenant's architects, engineers, contractors or subcontractors (all of which will be deemed to be delays caused by Tenant),

then the Commencement Date will only be extended under Section 3.3 of the Lease until the date on which Landlord would have substantially completed the performance of such work but for such delays.

13. **General.** No approval by Landlord or Landlord's architect or engineer of any drawings, plans or specifications which are prepared in connection with construction of improvements in the Premises will constitute a representation or warranty by Landlord as to the adequacy or sufficiency of such drawings, plans or specifications, or the improvements to which they relate, for any use, purpose or condition, but such approval will merely be the consent of Landlord to the construction or installation of improvements in the Premises according to such drawings, plans or specifications. Failure by Tenant to pay any amounts due under this Work Letter will have the same effect as failure to pay Rent under the Lease, and such failure or Tenant's failure to perform any of its other obligations under this Work Letter will constitute a Default under Section 20.1 of the Lease, entitling Landlord to all of its remedies under the Lease as well as all remedies otherwise available to Landlord.

FIRST AMENDMENT OF OFFICE LEASE

THIS FIRST AMENDMENT OF OFFICE LEASE ("First Amendment") is made on August 17, 2002, between TRIZECHAHN TBI CLARK TOWER LLC, a Delaware limited liability company ("Landlord"), whose address is 5100 Poplar Ave., Suite 711, Memphis, TN 38137 and CEDAR CHEMICAL CORPORATION, a Delaware corporation ("Tenant"), whose address is 5100 Poplar Avenue, Suite 2414, Memphis, TN 38137.

RECITALS

This First Amendment is based upon the following recitals:

A. Tenant and Clark Tower Limited Partnership ("CTLP") entered into a lease dated January 18, 1999 ("Lease"), for the premises measuring 12,834 rentable square feet and known as Suites 2405, 2408, 2414, 2427 and 2428 of the Clark Tower Building ("Building"), Memphis, Tennessee ("Premises").

B. Landlord and Tenant desire to amend the Lease to increase the size of the Premises and otherwise amend the Lease accordingly.

THEREFORE, in consideration of the mutual covenants and agreements stated in the Lease and below, and for other sufficient consideration received and acknowledged by each party, Landlord and Tenant agree to amend the Lease as follows:

1. RECITALS. All recitals are fully incorporated.
2. ADDRESS - NOTICES. Landlord's General Address as set forth in Section 1.1 (m) of the Basic Lease Definitions is hereby deleted and replaced with the following:

(m) "Landlord's General Address" means:

TrizecHahn TBI Clark Tower LLC
c/o TrizecHahn Office Properties Inc.
5210 Renaissance Tower
1201 Elm Street
Dallas, TX 75270
Attention: Donald R. Brown, Vice President

with a copy to:

TrizecHahn TBI Clark Tower LLC
c/o TrizecHahn Office Properties Inc.
100 Colony Square, Suite 600
1175 Peachtree Street, NE
Atlanta, GA 30361
Attention: Lease Administration

and if notice of default, a copy to:

TrizecHahn TBI Clark Tower LLC
c/o TrizecHahn Office Properties Inc.
100 Colony Square
Suite 600
1175 Peachtree Street, N.E.
Atlanta, GA 30361
Attention: Regional Counsel

3. PREMISES EXPANSION. Effective as of the "1st Expansion Commencement Date" defined below, the Premises shall be expanded to include that area measuring 3,257 rentable square feet and known as Suite 2400 of the Building (as more particularly described on the floor plan attached hereto as Exhibit A, the "1st Expansion Space"). Thereafter, the Premises shall encompass and be described as "Suites 2400, 2405, 2408, 2414, 2427 and 2428" on the 24th Floor of the Building for a total Premises size of 16,091 rentable square feet.

4. 1ST EXPANSION SPACE LEASE TERM. The Lease Term as it pertains to the 1st Expansion Space shall commence the date Landlord delivers the 1st Expansion Space according to Exhibit B attached hereto which is hereby estimated to be September 1, 2000 ("1st Expansion Commencement Date"), and shall expire on January 31, 2004.

5. BASE RENTAL and ADDITIONAL RENTAL. Effective as of the 1st Expansion Commencement Date and for the duration of the Lease Term through January 31, 2004, Base Rent and Additional Rent for the 1st Expansion Space only shall be as follows:

A. The Base Rental due for 1st Expansion Space shall be as follows:

Period	Annual Base Rent Per Rentable Square Foot	Monthly Base Rent
09/01/2000 – 08/31/2001	\$21.06	\$5,716.04
09/01/2001 – 08/31/2002	\$21.31	\$5,783.89
09/01/2002 – 08/31/2003	\$21.56	\$5,851.74
09/01/2003 – 01/31/2004	\$21.81	\$5,919.60

B. Additional Rent shall be payable according to Section 4.2 of the Lease; however, with respect to the 1st Expansion Space, "Tenant's Proportionate Share" shall be 0.5018% (.005018) and the "Base Year" shall change to the calendar year ending December 31, 2000.

6. DELIVERY OF AND IMPROVEMENTS TO THE 1st EXPANSION SPACE. Landlord shall provide and Tenant shall accept the 1st Expansion Space in "as-is" condition, except that Landlord shall make certain leasehold improvements according to Exhibit B attached hereto ("Landlord's Work"). Landlord shall not be required to incur overtime costs and expenses in performing Landlord's Work. Any other improvements to the Premises require Landlord's prior written approval.

7. BROKER. Tenant warrants that it has had no dealings with any real estate broker or agent in connection with the negotiation of this First Amendment, and that it knows of no real estate brokers or agents who are or might be entitled to a commission in connection with this First Amendment. Tenant agrees

TJB
HPS

to indemnify and hold harmless Landlord from and against any liability or claim, whether meritorious or not arising in respect to brokers and/or agents.

8. **CONFLICTING PROVISIONS.** If any provisions of this First Amendment conflict with any of those of the Lease, then the provisions of this First Amendment shall govern.

9. **REMAINING LEASE PROVISIONS.** Except as stated in this First Amendment, all other viable and applicable provisions of the Lease shall remain unchanged and continue in full force and effect throughout the Lease Term.

10. **BINDING EFFECT.** Landlord and Tenant ratify and confirm the Lease and agree that this First Amendment shall bind and inure to the benefit of the parties, and their respective successors, assigns and representatives as of the date first stated.

AFFIRMING THE ABOVE, the parties have executed this **FIRST AMENDMENT OF OFFICE LEASE** on the date first stated.

WITNESSES

Sheelagh Howell

Mardi Davis

[Signature]

LANDLORD:

TRIZECHAHN TBI CLARK TOWER LLC,
a Delaware limited liability company

BY: [Signature]
Robert R. Stubbs
Assistant Secretary

BY: [Signature]
Donald R. Brown
Vice President

TENANT:

CEDAR CHEMICAL CORPORATION, a Delaware corporation

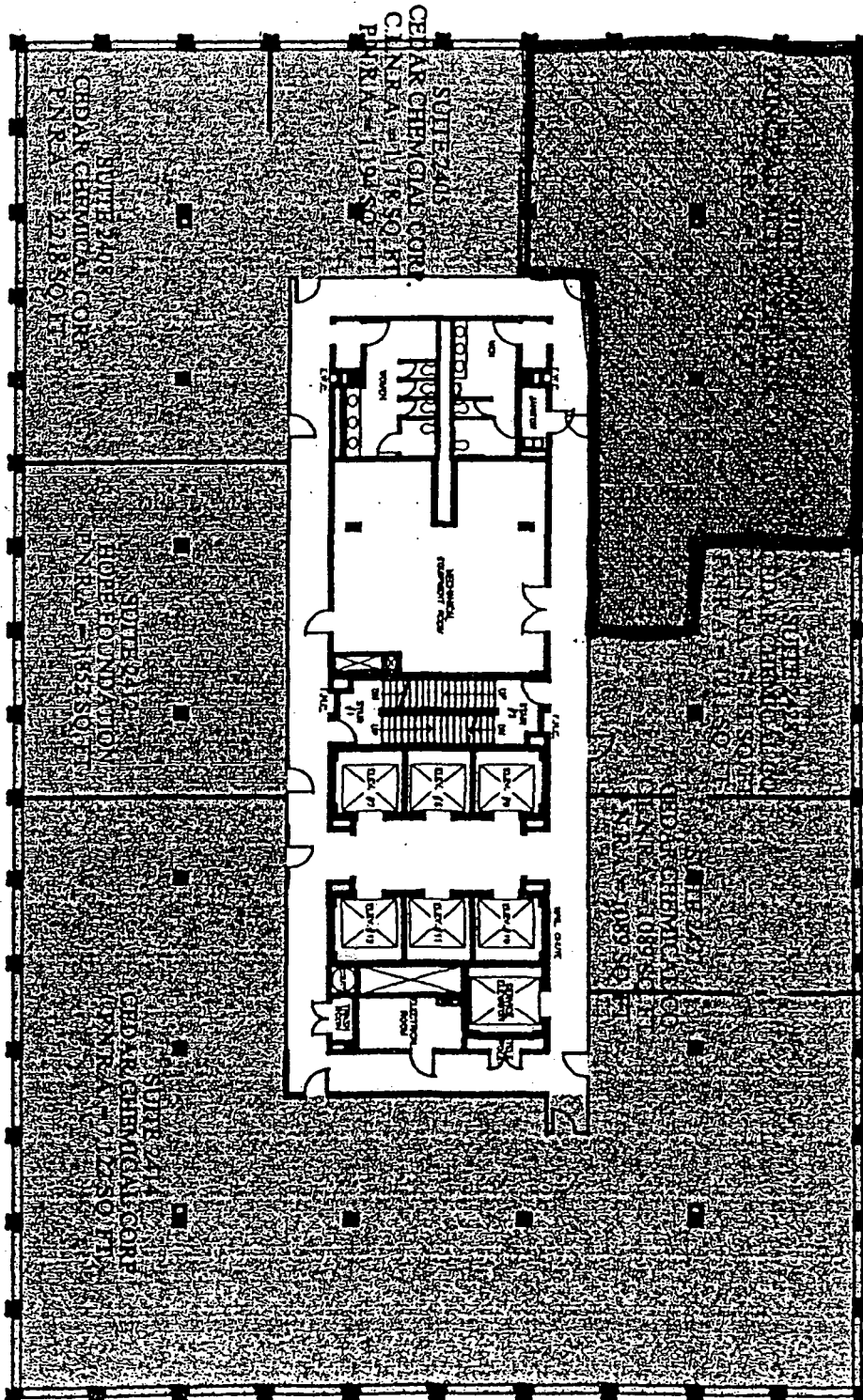
By: [Signature]
Name: John C. Bumpers
Title: Asst Sec

EXHIBIT A
1ST EXPANSION SPACE
SUITE 2400

CLARK TOWER
FLOOR OCCUPANCY SUMMARY
MEMPHIS, TENNESSEE

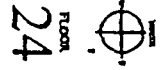
PNRA SUM - 17,943 SQ. FT.

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LEASE EXPIRATION KEY

2000 2001 2002 2003 2004 2005+ VACANT OPTION



FLOOR
24



CLARK - CURRENT LEASE VALUE FOR NET RENTABLE AREA
PNRA - NET RENTABLE AREA BASED ON PROFORMA USABLE AREA (1.17% ADD ON FACTOR)

**EXHIBIT B
WORK LETTER
SUITE 2400**

1. **Conflicts; Terms.** If there is any conflict or inconsistency between the provision of the Lease (as amended by the First Amendment, the "Lease as amended") and those of this Exhibit A ("Work Letter"), the provisions of this Work Letter will control. Except for those terms expressly defined in this Work Letter, all initially capitalized terms will have the meanings stated for such terms in the Lease as amended. The following terms, which are not defined in the Lease as amended, have the meanings indicated:

- (a) "Landlord's Representative" means Mr. Shane Soefker.
- (b) "Tenant's Representative" means Mr. John Bumpers.
- (c) [INTENTIONALLY DELETED]
- (d) "Landlord's Allowance" means \$10.00 per rentable square foot of 1st Expansion Space (\$40,712.50).
- (e) "Leasehold Improvements" means all alterations, improvements and installations to be constructed or installed by Landlord for Tenant in the 1st Expansion Space according to this Work Letter.
- (f) "Preliminary Plans" means space plans and general specifications for the Leasehold Improvements.
- (g) "Construction Documents" means complete construction plans and specifications for the Leasehold Improvements.
- (h) "Total Cost" means the total cost of preparing the Preliminary Plans and Construction Documents, obtaining all necessary permits, constructing and installing the Leasehold Improvements in the 1st Expansion Space (including any Additional Tenant Work), and providing any Building services required during construction (such as electricity and other utilities, refuse removal and housekeeping), plus the Construction Administration Fee (as described in Section 1.3 (e) of the Lease) to compensate Landlord for its construction administration services which will include providing Landlord's personnel to coordinate the design and construction process, assist in obtaining any approvals required from Landlord and any governmental agencies, and assist in scheduling deliveries.
- (i) "Additional Allowance" means \$10,000.00 which Landlord has agreed to contribute towards the Total Cost.

2. **Landlord's Obligations.** Landlord will proceed to complete the 1st Expansion Space according to this Work Letter and tender possession of the 1st Expansion Space to Tenant when the Leasehold Improvements have been completed to the extent that only minor construction details, which would not materially interfere with Tenant's use and enjoyment of the 1st Expansion Space, require completion or correction ("Substantial Completion"). Tenant will accept the 1st Expansion Space when Landlord tenders possession, provided that the Leasehold Improvements have been substantially completed as described above, and provided further that Tenant will not be required to accept possession prior to the Scheduled Commencement Date. Landlord and Tenant agree that all alterations, improvements and additions made to the 1st Expansion Space according to this Work Letter, whether paid for by Landlord or Tenant, will, without compensation to Tenant, become Landlord's property upon installation and will remain Landlord's property at the expiration or earlier termination of the Term.

3. **Punch List.** Tenant's taking possession of any portion of the 1st Expansion Space will be conclusive evidence that such portion of the 1st Expansion Space was in good order and satisfactory condition when Tenant took possession, except as to any patent defects identified on a punch list prepared

and signed by Landlord's Representative and Tenant's Representative after an inspection of the 1st Expansion Space by both such parties when Tenant takes possession, and except as to any latent defects of which Tenant notifies Landlord in writing within one year after the Commencement Date. Failure to advise Landlord in writing within one year of the Commencement Date of any latent defects shall result in a waiver of any claims regarding said defects by Tenant. Landlord will not be responsible for any items of damage caused by Tenant, its agents, independent contractors or suppliers. No promises to alter, remodel or improve the 1st Expansion Space or Building and no representations concerning the condition of the 1st Expansion Space or Building have been made by Landlord to Tenant other than as may be expressly stated in the Lease as amended (including this Work Letter).

4. **Representatives.** Landlord appoints Landlord's Representative to act for Landlord in all matters covered by this Work Letter. Tenant appoints Tenant's Representative to act for Tenant in all matters covered by this Work Letter. All inquiries, requests, instructions, authorizations and other communications concerning the matters covered by this Work Letter will be made to Landlord's Representative or Tenant's Representative, as the case may be. Tenant will not make any inquiries of or request to, and will not give any instructions or authorizations to, any other employee or agent of Landlord, including Landlord's architect, engineers and contractors or any of their agents or employees, about matters covered by this Work Letter. Either party may change its Representative under this Work Letter at any time by 3 days' prior written notice to the other party.

5. **Preliminary Plans.** Landlord shall construct the Leasehold Improvements based on those preliminary plans and specification prepared by Montgomery Martin Construction and dated March 28, 2000 ("Preliminary Plans"). Tenant represents to Landlord that Tenant has furnished to Landlord and the party preparing the Construction Documents all information necessary such that (following construction of the Leasehold Improvements in accordance with the Construction Documents) Tenant, the 1st Expansion Space and the Leasehold Improvements will be in compliance with the Americans With Disabilities Act of 1990, 42 U.S.C. §§12101-12213 and any state disability or handicapper's acts (collectively "Disability Acts"). **TENANT SHALL BE RESPONSIBLE FOR AND SHALL INDEMNIFY AND HOLD HARMLESS LANDLORD FROM AND AGAINST ANY AND ALL CLAIMS, LIABILITIES AND EXPENSES (INCLUDING, WITHOUT LIMITATION REASONABLE ATTORNEYS' FEES AND EXPENSES) INCURRED BY OR ASSERTED AGAINST LANDLORD BY REASON OF OR IN CONNECTION WITH ANY VIOLATION OF THE DISABILITY ACTS ARISING FROM OR OUT OF (x)** information or design and space plans furnished to Landlord by Tenant (or the lack of complete and accurate information so furnished) concerning the Leasehold Improvements, (y) Tenant's employer-employee obligations, or (z) after the Commencement Date, violations by Tenant and/or the Leasehold Improvements or the 1st Expansion Space not being in compliance with the Disability Acts as the result of changes in regulations or law or interpretations thereof not in effect on the Commencement Date. The foregoing indemnity shall not include any claims, liabilities or expenses (including reasonable attorneys' fees and expenses) arising out of the negligence or gross negligence of Landlord or Landlord's employees, agents or contractors. Without limiting the foregoing, if Landlord constructs the Leasehold Improvements based on any special requirements or improvements required by Tenant, or upon information furnished by Tenant that later proves to be inaccurate or incomplete resulting in any violation of the Disability Acts, Tenant shall be solely liable to correct such violations and to bring the improvements into compliance with the Disability Acts as promptly as is practicable.

6. **Cost Estimate.** Landlord and Tenant have approved that cost estimate based on the Preliminary Plans in the amount of \$59,232.16 ("Cost Estimate").

7. **Construction Documents; Cost Proposal.** Landlord will cause its architect and engineer to prepare the Construction Documents based strictly on the Preliminary Plans. The Construction Documents will be subject to Landlord's approval and Tenant will be given an opportunity to review the Construction Documents to confirm that they conform to the Preliminary Plans. At such time as the Construction Documents have been so approved, reviewed and confirmed, Landlord will obtain bids for the construction or installation of the Leasehold Improvements according to the Construction Documents and will notify Tenant of the proposed Total Cost based on the lowest of such bids ("Cost Proposal"). If the Cost Proposal is

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less than or equal to the Cost Estimate approved by Tenant, then Tenant, at Tenant's option, may either approve the Cost Proposal in writing or elect to eliminate or revise one or more items shown on the Construction Documents so as to reduce the Cost Proposal and then approve in writing the reduced Cost Proposal (based on the revised Construction Documents). If the Cost Proposal approved or deemed approved by Tenant is greater than Landlord's Allowance and the Additional Allowance combined, then Tenant will immediately deposit with Landlord an amount ("Construction Deposit") equal to one-half of the difference between Landlord's Allowance and the approved Cost Proposal. Each day following the 5th business day after Tenant's receipt of the Cost Proposal until the day on which Landlord has received Tenant's written approval of the Cost Proposal (if required) and Landlord has received the Construction Deposit (if required) will be a day of Tenant's delay. If Tenant has failed to approve any Cost Proposal within 30 days of receipt of the original Cost Proposal, then Landlord shall have the option to deem the last revised Cost Proposal to be approved.

8. **Construction of Leasehold Improvements.** At such time as Tenant has approved (or is deemed to have approved) the Cost Proposal and has made any required Construction Deposit, Landlord will cause the Leasehold Improvements to be constructed or installed in the 1st Expansion Space in a good and workmanlike manner and according to the Construction Documents and all applicable Laws. Upon Substantial Completion of the construction and installation of the Leasehold Improvements and prior to Tenant's occupancy of the 1st Expansion Space, Tenant will pay to Landlord the amount, if any, by which the Total Cost exceeds the sum of the Landlord's Allowance, the Additional Allowance and the Construction Deposit. Tenant will not be entitled to any credit if Landlord's Allowance and the Additional Allowance exceeds the Total Cost.

9. **Change Orders.** Tenant's Representative may authorize changes in the work during construction only by written instructions to Landlord's Representative on a form approved by Landlord. All such changes will be subject to Landlord's prior written approval according to Paragraph 11 below. Prior to commencing any change, Landlord will prepare and deliver to Tenant, for Tenant's approval, a change order ("Change Order") identifying the total cost of such change, which will include associated architectural, engineering and construction contractor's fees, and an amount sufficient to reimburse Landlord for overhead and related expenses incurred in connection with the Change Order. If Tenant fails to approve such Change Order within 5 business days after delivery by Landlord, Tenant will be deemed to have withdrawn the proposed change and Landlord will not proceed to perform the change. Upon Landlord's receipt of Tenant's approval, Landlord will proceed to perform the change. Tenant will pay the total cost of any Change Orders within 10 days of their approval of same.

10. **Additional Tenant Work.** If Tenant desires any work in addition to the Leasehold Improvements as set forth in the Construction Documents to be performed in the 1st Expansion Space ("Additional Tenant Work"), Tenant, at Tenant's expense, will cause plans and specifications for such work to be prepared either by Landlord's architect or engineer or, at Landlord's discretion, by consultants of Tenant's own selection. All plans and specifications for Additional Tenant Work will be subject to Landlord's approval according to Paragraph 11 below. If Landlord approves Tenant's plans and specifications for any Additional Tenant Work, Landlord will, subject to the following terms and conditions, perform said Additional Tenant Work pursuant to the terms of this Exhibit B. Tenant shall pay to Landlord the total cost of any Additional Tenant Work (including the Construction Administration Fee) within 10 days of receipt of Landlord's invoice for same.

11. **Landlord's Approval.** All Preliminary Plans, Construction Documents and Change Orders; and any drawings, space plans, plans and specifications for any Additional Tenant Work or any other improvements or installations in the 1st Expansion Space, are expressly subject to Landlord's prior written approval. Landlord may withhold its approval of any such items that require work which:

- (a) exceeds or adversely affects the capacity or integrity of the Building's structure or any of its heating, ventilating, air conditioning, plumbing, mechanical, electrical, communications or other systems;
- (b) is not approved by the holder of any Encumbrance;

- (c) would not be approved by a prudent owner of property similar to the Building;
- (d) violates any agreement which affects the Building or binds Landlord;
- (e) Landlord reasonably believes will increase the cost of operating or maintaining any of the Building's systems;
- (f) Landlord reasonably believes will reduce the market value of the 1st Expansion Space or the Building at the end of the Term;
- (g) does not conform to applicable building code or is not approved by any governmental authority having jurisdiction over the 1st Expansion Space;
- (h) does not meet or exceed Building standard; or
- (i) Landlord reasonably believes will infringe on the architectural or historical integrity of the Building.

12. Tenant's Delays. The Term of the Lease with respect to the 1st Expansion Space (and therefore Tenant's obligation for the payment of Rent for such space) will not commence until Landlord has substantially completed all work to be performed by Landlord as stated in Paragraph 8 above; provided, however, that if Landlord is delayed in Substantially Completing such work, or in obtaining a certificate of occupancy, if required by the applicable governmental authority, as a result of:

- (a) any Tenant delays described in Paragraphs 5, 6 or 7 above;
- (b) Tenant's request for materials or installations as a part of the Leasehold Improvements that are other than Building standard materials or installations that take longer to process or install than Building Standard materials or installation;
- (c) any Change Orders or changes in any drawings, plans or specifications requested by Tenant;
- (d) Tenant's failure to review, confirm or approve in a timely manner any item requiring Tenant's review, confirmation or approval;
- (e) performance of any Additional Tenant Work or any failure to complete or delay in completion of such work; or
- (f) any other act or omission of Tenant or Tenant's architects, engineers, contractors or subcontractors (all of which will be deemed to be delays caused by Tenant),

then the 1st Expansion Commencement Date will only be extended under Section 3.3 of the Lease until the date on which Landlord would have substantially completed the performance of such work but for such delays.

13. General. No approval by Landlord or Landlord's architect or engineer of any drawings, plans or specifications which are prepared in connection with construction of improvements in the 1st Expansion Space will constitute a representation or warranty by Landlord as to the adequacy or sufficiency of such drawings, plans or specifications, or the improvements to which they relate, for any use, purpose or condition, but such approval will merely be the consent of Landlord to the construction or installation of improvements in the 1st Expansion Space according to such drawings, plans or specifications. Failure by Tenant to pay any amounts due under this Work Letter will have the same effect as failure to pay Rent under the Lease as amended, and such failure or Tenant's failure to perform any of its other obligations under this Work Letter will constitute a Default under Section 20.1 of the Lease, entitling Landlord to all of its remedies under the Lease as amended as well as all remedies otherwise available to Landlord.

CONSENT TO SUBLEASE

This Consent to Sublease is made and effective this 25th day of January, 1999, by and among TRIZECHAHN TBI CLARK TOWER LLC, a Delaware limited liability company ("Landlord"), and CEDAR CHEMICAL CORPORATION, a Delaware corporation ("Tenant"), and RICECO LLC, a _____ ("Subtenant").

RECITALS

A. Landlord and Tenant executed a certain lease dated January 18, 1999 ("Master Lease"), covering the premises consisting of Suites 2405, 2408, 2414, 2427 & 2428 located on the 24th floor of the building located at 5100 Poplar Avenue, Memphis, TN 38137 (the "Building") and collectively and commonly known as Suite No. 2414 ("Premises").

B. Tenant has requested that Landlord consent to Tenant subleasing a portion of the Premises consisting of Suites No. 2405 and No. 2408, located on the 24th floor of the Building, identified on Consent Exhibit A, attached to and incorporated in this Consent, and deemed to contain 3,412 rentable square feet (the "Subleased Premises") to Subtenant upon the terms contained in a sublease dated December 29, 1998, a copy of which is attached as Consent Exhibit B and incorporated in this Consent ("Sublease").

C. The Subtenant is located at 5100 Poplar Avenue, Suite #2405, Memphis, TN 38137 ("Subtenant").

D. Landlord is willing to consent to such subleasing of the Subleased Premises upon certain express conditions.

THEREFORE, in consideration of the mutual covenants and agreements stated below, and for sufficient consideration received and acknowledged by each party, Landlord hereby consents to the subleasing of the Subleased Premises to Subtenant upon the following express conditions:

1. Each Recital is incorporated by reference.
2. The Master Lease remains in full force and effect, and the Sublease does not modify, decrease or affect the Master Lease.
3. Tenant, as of the date of the Sublease, is not in default of any Master Lease obligation, either economic or non-economic.
4. Subtenant agrees to faithfully perform, and assumes liability for, all of the tenant's obligations under the Master Lease with respect to the Subleased Premises accruing on or after December 29, 1998.
5. Tenant and Subtenant agree to be liable, jointly and severally, for all charges incurred by Tenant and/or Subtenant for services and/or materials supplied to the Subleased Premises.
6. Tenant guarantees Subtenant's performance for all obligations under the Master Lease.
7. As consideration for Landlord's execution of the Consent, Tenant, irrevocably grants, transfers and assigns to Landlord all rents, issues and profits from the Sublease and the right, power and authority, at Landlord's option and upon written notice to Tenant, to collect such rents, issues and profits of such Sublease, however, Landlord shall not exercise said option as long as Tenant and Subtenant have not, in any way, defaulted under the Master Lease.
8. Landlord is entitled to one hundred percent (100%) of all rent profits received by Tenant from Subtenant.

9. Notices of default shall be sent to Tenant only, at the address specified in the Master Lease.
10. If at any time prior to the expiration of the term of the Sublease, the Master Lease terminates or is terminated for any reason, the Sublease shall also simultaneously terminate; however, Subtenant agrees, at the election and upon written demand of Landlord in its sole discretion, to attorn to the Landlord upon the then-executory terms and conditions set forth in the Sublease for the remainder of the term of the Sublease. The foregoing (a) shall apply notwithstanding that, as a matter of law, the Sublease may otherwise terminate upon the termination of the Master Lease and (b) shall be self-operative upon such written demand of the Landlord.
11. Tenant's duties and obligations are not be modified or decreased by the Sublease, and all of Tenant's duties and obligations under the Master Lease shall remain in full force and effect.
12. Landlord's Consent to the Sublease shall not be deemed to (a) operate as a waiver of any provision or condition of the Master Lease, or (b) modify any provision or condition of the Master Lease, or (c) operate as a consent to any subsequent sublease of all or any portion of the Premises, as to which Tenant and Subtenant must obtain Landlord's further written consent.
13. Neither this Sublease, Landlord's Consent to this Sublease, nor Landlord's failure to notify Tenant of Subtenant's default under the Master Lease, releases or discharges Tenant of any liability under the Master Lease, whether past, present or future.
14. Landlord shall not be liable for any brokerage commission or other charges levied or incurred relating to this Sublease and Tenant and Subtenant shall indemnify, defend and hold Landlord harmless with respect to any such matters.
15. By their execution of this Consent to Sublease, (a) Subtenant acknowledges that it has read and hereby confirms the terms, provisions and conditions of the Master Lease and (b) Tenant and Subtenant agree to the terms and conditions of this Consent to Sublease.

[Signatures begin on next page.]

AFFIRMING THE ABOVE, the parties have executed this Consent to Sublease as of the date first identified.

TRIZECHAHN TBI CLARK TOWER LLC
LANDLORD

Juan M. Wilson

By: Cynthia K. Yott
Cynthia K. Yott
Assistant Secretary

Peggy Henning

By: Antonio A. Bismonte
Antonio A. Bismonte
Senior Vice President

CEDAR CHEMICAL CO.
TENANT

Kathryn A. Lebowitz

By: John C. Bismonte
Name: John C. Bismonte
Title: EXEC VP.

RICECO LLC
SUBTENANT

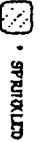
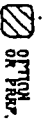
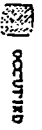
Kathryn A. Lebowitz

By: James R. Yott
Name: James R. Yott
Title: Pres/CEO

CONSENT EXHIBIT A
CLARK TOWER BUILDING
PLAN DELINEATING THE SUBLEASED PREMISES
SUITES #2405 & #2408

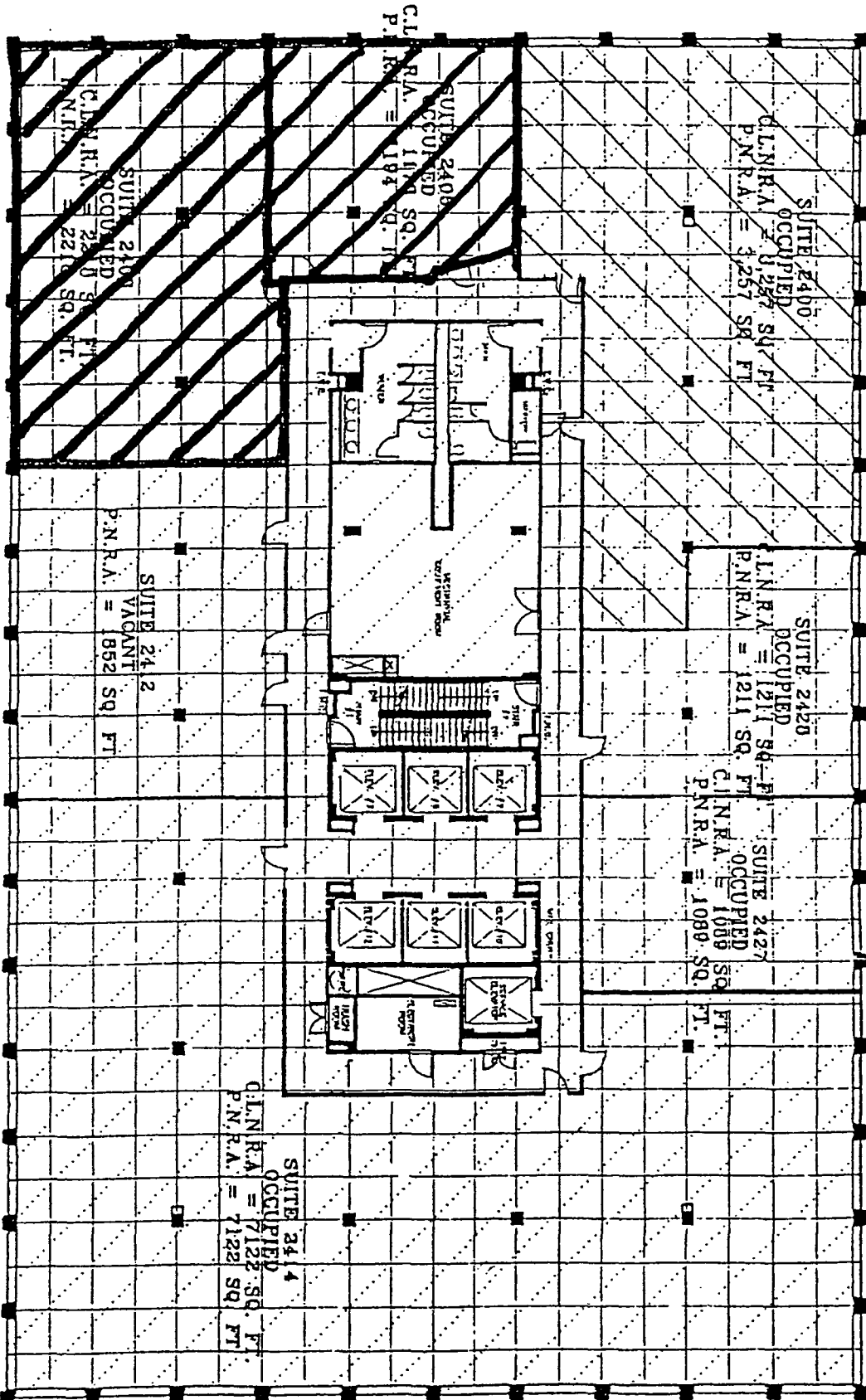
CLARK TOWER

FLOOR OCCUPANCY SUMMARY
MEMPHIS, TENNESSEE



* REQUIRED STAIRWELL SYSTEM EXITS OR IS UNDER CONTRACT

P.N.R.A. SUM = 17,943 SQ. FT.



C.L.N.R.A. = CURRENT LEASE VALUE FOR NET RENTABLE AREA
P.N.R.A. = NET RENTABLE AREA BASED ON PRO FORMA USABLE AREA (1.1764 ADD ON FACTOR)

CONSENT TO SUBLEASE

This Consent to Sublease is made and effective this 25th day of January, 1999, by and among TRIZEHAHN TBI CLARK TOWER LLC, a Delaware limited liability company ("Landlord"), and CEDAR CHEMICAL CORPORATION, a Delaware corporation ("Tenant"), and RICECO LLC, a _____ ("Subtenant").

RECITALS

A. Landlord and Tenant executed a certain lease dated January 18, 1999 ("Master Lease"), covering the premises consisting of Suites 2405, 2408, 2414, 2427 & 2428 located on the 24th floor of the building located at 5100 Poplar Avenue, Memphis, TN 38137 (the "Building") and collectively and commonly known as Suite No. 2414 ("Premises").

B. Tenant has requested that Landlord consent to Tenant subleasing a portion of the Premises consisting of Suites No. 2405 and No. 2408, located on the 24th floor of the Building, identified on Consent Exhibit A attached to and incorporated in this Consent, and deemed to contain 3,412 rentable square feet (the "Subleased Premises") to Subtenant upon the terms contained in a sublease dated December 29, 1998, a copy of which is attached as Consent Exhibit B and incorporated in this Consent ("Sublease").

C. The Subtenant is located at 5100 Poplar Avenue, Suite #2405, Memphis, TN 38137 ("Subtenant").

D. Landlord is willing to consent to such subleasing of the Subleased Premises upon certain express conditions.

THEREFORE, in consideration of the mutual covenants and agreements stated below, and for sufficient consideration received and acknowledged by each party, Landlord hereby consents to the subleasing of the Subleased Premises to Subtenant upon the following express conditions:

1. Each Recital is incorporated by reference.
2. The Master Lease remains in full force and effect, and the Sublease does not modify, decrease or affect the Master Lease.
3. Tenant, as of the date of the Sublease, is not in default of any Master Lease obligation, either economic or non-economic.
4. Subtenant agrees to faithfully perform, and assumes liability for, all of the tenant's obligations under the Master Lease with respect to the Subleased Premises accruing on or after December 29, 1998.
5. Tenant and Subtenant agree to be liable, jointly and severally, for all charges incurred by Tenant and/or Subtenant for services and/or materials supplied to the Subleased Premises.
6. Tenant guarantees Subtenant's performance for all obligations under the Master Lease.
7. As consideration for Landlord's execution of the Consent, Tenant, irrevocably grants, transfers and assigns to Landlord all rents, issues and profits from the Sublease and the right, power and authority, at Landlord's option and upon written notice to Tenant, to collect such rents, issues and profits of such Sublease, however, Landlord shall not exercise said option as long as Tenant and Subtenant have not, in any way, defaulted under the Master Lease.
8. Landlord is entitled to one hundred percent (100%) of all rent profits received by Tenant from Subtenant.

9. Notices of default shall be sent to Tenant only, at the address specified in the Master Lease.

10. If at any time prior to the expiration of the term of the Sublease, the Master Lease terminates or is terminated for any reason, the Sublease shall also simultaneously terminate; however, Subtenant agrees, at the election and upon written demand of Landlord in its sole discretion, to attorn to the Landlord upon the then-executory terms and conditions set forth in the Sublease for the remainder of the term of the Sublease. The foregoing (a) shall apply notwithstanding that, as a matter of law, the Sublease may otherwise terminate upon the termination of the Master Lease and (b) shall be self-operative upon such written demand of the Landlord.

11. Tenant's duties and obligations are not be modified or decreased by the Sublease, and all of Tenant's duties and obligations under the Master Lease shall remain in full force and effect.

12. Landlord's Consent to the Sublease shall not be deemed to (a) operate as a waiver of any provision or condition of the Master Lease, or (b) modify any provision or condition of the Master Lease, or (c) operate as a consent to any subsequent sublease of all or any portion of the Premises, as to which Tenant and Subtenant must obtain Landlord's further written consent.

13. Neither this Sublease, Landlord's Consent to this Sublease, nor Landlord's failure to notify Tenant of Subtenant's default under the Master Lease, releases or discharges Tenant of any liability under the Master Lease, whether past, present or future.

14. Landlord shall not be liable for any brokerage commission or other charges levied or incurred relating to this Sublease and Tenant and Subtenant shall indemnify, defend and hold Landlord harmless with respect to any such matters.

15. By their execution of this Consent to Sublease, (a) Subtenant acknowledges that it has read and hereby confirms the terms, provisions and conditions of the Master Lease and (b) Tenant and Subtenant agree to the terms and conditions of this Consent to Sublease.

{Signatures begin on next page.}

AFFIRMING THE ABOVE, the parties have executed this Consent to Sublease as of the date first identified.

TRIZECHAHN TBI CLARK TOWER LLC
LANDLORD

Juan M. Wilson
Peggy Henning

By: Cynthia K. Yott
Cynthia K. Yott
Assistant Secretary

By: Antonio A. Bismonte
Antonio A. Bismonte
Senior Vice President

CEDAR CHEMICAL CO.
TENANT

Kathryn A. Lebowitz

By: John C. Bismonte
Name: John C. Bismonte
Title: EXEC VP.

RICECO LLC
SUBTENANT

Kathryn A. Lebowitz

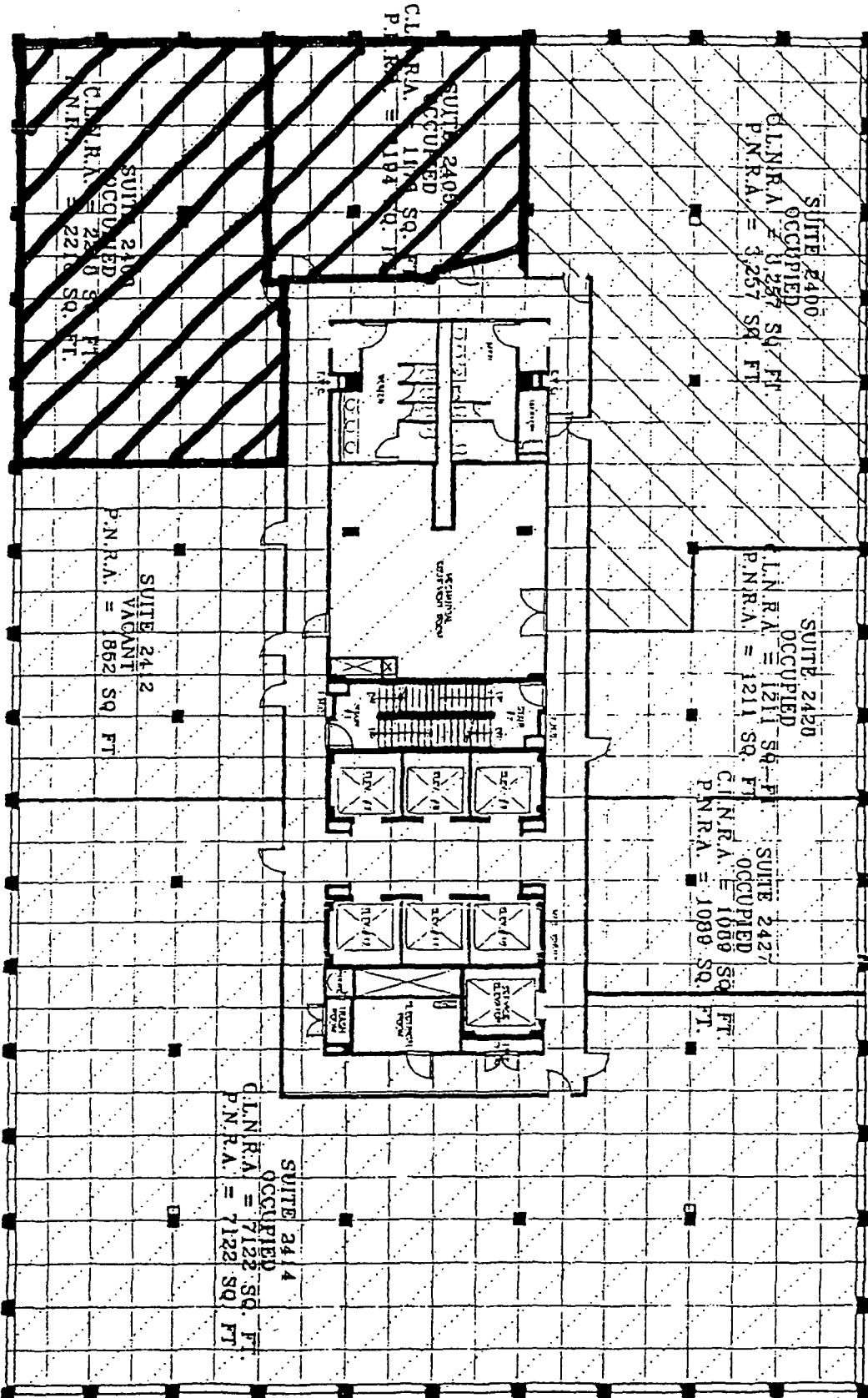
By: James R. Lebowitz
Name: James R. Lebowitz
Title: PROD. CEO

CONSENT EXHIBIT A
CLARK TOWER BUILDING
PLAN DELINEATING THE SUBLEASED PREMISES
SUITES #2405 & #2408

24
FLOOR

SCALE

C.L.N.R.A. = CURRENT LEASE VALUE FOR NET RENTABLE AREA
P.N.R.A. = NET RENTABLE AREA BASED ON PRO FORMA USABLE AREA (1.1764 ADD ON FACTOR)



CLARK TOWER
FLOOR OCCUPANCY SUMMARY
MEMPHIS, TENNESSEE

LEGEND:
 [Hatched Box] OCCUPIED
 [Empty Box] VACANT
 [Diagonal Line Box] OPTION OR PROPOSED
 [Staircase Box] STAIRS
 [Elevator Box] ELEVATOR
 [Corridor Box] CORRIDOR
 [Fire Exit Box] FIRE EXIT
 [Entrance Box] ENTRANCE
 [Exit Box] EXIT
 [Reception Box] RECEPTION
 [Storage Box] STORAGE
 [Mechanical Box] MECHANICAL
 [Janitor Box] JANITOR
 [Elevator Box] ELEVATOR
 [Staircase Box] STAIRS
 [Corridor Box] CORRIDOR
 [Fire Exit Box] FIRE EXIT
 [Entrance Box] ENTRANCE
 [Exit Box] EXIT
 [Reception Box] RECEPTION
 [Storage Box] STORAGE
 [Mechanical Box] MECHANICAL
 [Janitor Box] JANITOR

* REQUIRED SPRINKLER SYSTEM EXISTS OR IS UNDER CONTRACT

P.N.R.A. SUM = 17,943 SQ. FT.

SECOND AMENDMENT OF OFFICE LEASE

THIS SECOND AMENDMENT OF OFFICE LEASE ("2nd Amendment") is made on January 12, 2001, between TRIZECHAHN TBI CLARK TOWER LLC, a Delaware limited liability company ("Landlord"), whose address is 5100 Poplar Ave., Suite 711 Memphis, TN 38137 and CEDAR CHEMICAL CORPORATION, a Delaware corporation ("Tenant"), whose address is 5100 Poplar Avenue, Suite 2414, Memphis, TN 38137.

RECITALS

This 2nd Amendment is based upon the following recitals:

- A. Landlord and Tenant entered into a lease dated January 18, 1999 ("Lease"), for the premises known as Suite 2414 of the Clark Tower Building ("Building"), Memphis, Tennessee ("Premises").
- B. Landlord and Tenant amended the Lease by 1st Amendment dated August 12, 2000, (Lease and Amendment collectively, "Lease as amended").
- C. Landlord and Tenant desire to further amend the Lease as amended to extend the term and otherwise amend the Lease as amended accordingly.

THEREFORE, in consideration of the mutual covenants and agreements stated in the Lease as amended and below, and for other sufficient consideration received and acknowledged by each party, Landlord and Tenant agree to amend the Lease as amended as follows:

- 1. RECITALS. All recitals are fully incorporated.
- 2. ADDRESS - NOTICES. In addition to Lessor's address for notice as set forth in the Lease, notices shall also be sent to the following:

TrizecHahn TBI Clark Tower LLC
c/o TrizecHahn Office Properties Inc.
5100 Poplar Ave.
Suite 711
Memphis, TN 38137
Attn: General Manager

With a copy to:

TrizecHahn TBI Clark Tower LLC
c/o TrizecHahn Office Properties Inc.
Allen Center Two
1200 Smith Street, Suite 2600
Houston, TX 77002
Attention: Paul H. Layne, Vice President

and:

TrizecHahn TBI Clark Tower LLC
c/o TrizecHahn Office Properties Inc.
100 Colony Square, Suite 600
1175 Peachtree Street, NE
Atlanta, GA 30361
Attention: Lease Administration

and if notice of default:

TrizecHahn TBI Clark Tower LLC
c/o TrizecHahn Office Properties Inc.
100 Colony Square
Suite 600
1175 Peachtree Street, N.E.
Atlanta, GA 30361
Attention: Regional Counsel

3. 1st EXPANSION SPACE LEASE TERM. The 1st Expansion Space Commencement Date is hereby changed to November 1, 2000. The 1st Expansion Space Lease Term shall still expire on January 31, 2004.

4. BASE RENTAL and ADDITIONAL RENTAL. To reflect the additional cost of \$11,836.00 incurred by the Tenant in completion of the improvements to the 1st Expansion Space effective as of the 1st Expansion Space Lease Term, Base Rental and Additional Rental shall be adjusted as follows:

Lease Term	Annual Base Rent Per Rentable Square Foot	Annual Base Rent	Monthly Base Rent
11/1/00 - 10/31/01	\$22.47	\$73,184.79	\$6,098.73
11/1/01 - 10/31/02	\$22.72	\$73,999.04	\$6,166.59
11/1/02 - 10/31/03	\$22.97	\$74,813.29	\$6,234.44
11/1/03 - 1/31/04	\$23.22	\$75,627.54	\$6,302.30

5. CONFLICTING PROVISIONS. If any provisions of this 2nd Amendment conflict with any of those of the Lease as amended, then the provisions of this 2nd Amendment shall govern.

6. REMAINING LEASE PROVISIONS. Except as stated in this 2nd Amendment, all other viable and applicable provisions of the Lease as amended shall remain unchanged and continue in full force and effect throughout the Lease Term.

7. BINDING EFFECT. Landlord and Tenant ratify and confirm the Lease as amended and agree that this 2nd Amendment shall bind and inure to the benefit of the parties, and their respective successors, assigns and representatives as of the date first stated.

[SIGNATURES APPEAR ON FOLLOWING PAGE]

AFFIRMING THE ABOVE, the parties have executed this SECOND AMENDMENT OF OFFICE LEASE on the date first stated.

WITNESSES

Mandi Davis

Paul H. Layne

Terrell Brasfield

LANDLORD:

TRIZECHAHN TBI CLARK TOWER LLC,
a Delaware limited liability company

BY:

Robert R. Stubbs
Assistant Secretary

BY:

Paul H. Layne
Vice President

TENANT:

CEDAR CHEMICAL CORPORATION, a Delaware corporation

By:

JOHNNY L. HANNA

Title:

VP

EXHIBIT "C"

LEASE FOR NEW TENANCY

CLARK TOWER BUILDING
OFFICE LEASE AGREEMENT

CEDAR CHEMICAL CORPORATION

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**LEASE AGREEMENT
CLARK TOWER BUILDING
MEMPHIS, TENNESSEE**

THIS LEASE AGREEMENT ("Lease") is entered into as of the Date, and by and between the Landlord and Tenant, identified in Section 1.1 below.

1. BASIC LEASE DEFINITIONS, EXHIBITS AND ADDITIONAL DEFINITIONS.

1.1 Basic Lease Definitions.

In this Lease, the following defined terms have the meanings indicated.

- (a) "Date" means the date of full execution of this Lease, which is _____.
- (b) "Landlord" means TrizecHahn TBI Clark Tower LLC, a Delaware limited liability company.
- (c) "Tenant" means Cedar Chemical Corporation, a Delaware corporation.
- (d) "Premises" means those premises known as a portion of the 24th floor of the Building and identified on Exhibit A, which is hereby deemed to be 4,170 rentable square feet.
- (e) "Use" means general office and no other use.
- (f) "Term" means the duration of this Lease, which shall be month to month and may be terminated at any time by Tenant with thirty (30) days prior written notice to Landlord without penalty ("Termination Date").
- (g) "Scheduled Commencement Date" means November 1, 2002.
- (h) "Base Rent" means the Rent payable according to Section 4.1, which will be in an amount per month applicable during each Lease Year as follows:

Term	Annual Base Rent	Monthly Base Rent
11/01/02 – Termination Date	\$76,1908.80	\$6,349.90

- (i) "Tenant's Share" means, with respect to the calculation of Additional Rent according to Section 4.2, .6430% (.006430).
- (j) "Base Year" means Landlord's Fiscal Year ending December 31, 1998.
- (k) "Security Deposit" means N/A.
- (l) "Landlord's Building Address" means:

5100 Poplar Ave.
Suite 711
Memphis, TN 38137
Attention: General Manager
- (m) "Landlord's General Address" means:

TrizecHahn TBI Clark Tower, L.L.C.
c/o Trizec Holdings, Inc.
1175 Peachtree Street, N.E.
100 Colony Square, Suite 600
Atlanta, GA 30361
Attention: David D. Canaday, Vice President

AND:

TrizecHahn TBI Clark Tower, L.L.C.
c/o Trizec Holdings, Inc.
1175 Peachtree Street, N.E.
100 Colony Square, Suite 600
Atlanta, Georgia 30361
Attention: Lease Administration

IF NOTICE OF DEFAULT, COPY TO:

TrizecHahn TBI Clark Tower, L.L.C.
c/o Trizec Holdings, Inc.
1175 Peachtree Street, N.E.
100 Colony Square, Suite 600
Atlanta, Georgia 30361
Attention: Legal Department

Landlord's billing address means:

TrizecHahn TBI Clark Tower LLC
P. O. Box 406923
Atlanta, Georgia 30384-6923

(n) "Tenant's Notice Address" means,

Cedar Chemical Corporation
5100 Poplar Avenue
Suite 2414
Memphis, Tennessee 38137

And:

Ms. Bonnie L. Pollack, Esq.
Angel & Frankel, P.C.
460 Park Avenue
8th Floor
New York, New York 10022-1906

(o) "Tenant's Invoice Address" means:

Cedar Chemical Corporation
5100 Poplar Avenue
Suite 2414
Memphis, Tennessee 38137

(p) "Brokers" means the following brokers who will be paid by Landlord in accordance with a separate agreement: N/A and the following brokers who will be paid by Tenant: N/A.

(q) "Liability Insurance Amount" means \$2,000,000.00.

1.2 Exhibits.

The Exhibits listed below are attached to and incorporated in this Lease. In the event of any inconsistency between such Exhibits and the terms and provisions of this Lease, the terms and provisions of the Exhibits will control. The Exhibits to this Lease are:

- | | | |
|-----------|---|-------------------------------|
| Exhibit A | - | Plan Delineating the Premises |
| Exhibit B | - | Rules and Regulations |

1.3 Additional Definitions.

In addition to those terms defined in Section 1.1 and other sections of this Lease, the following defined terms when used in this Lease have the meanings indicated:

- (a) "Additional Rent" means the Rent payable according to Section 4.2.
- (b) "Building" means the office and retail building commonly known as the Clark Tower Building, located on the Land and in which the Premises are located.
- (c) "Business Hours" means the hours from 8:00 a.m. to 6:00 p.m. on Monday through Friday and from 8:00 a.m. to 1:00 p.m. on Saturday, excluding statutory or legal holidays.
- (d) "Common Areas" means certain interior and exterior common and public areas located on the Land and in the Building as may be designated by Landlord for the non-exclusive use in common by Tenant, Landlord and other tenants, and their employees, guests, customers, agents and invitees. If the Building is connected to other buildings by underground tunnels or elevated bridges over public streets, Common Areas will include such bridges and tunnels; provided, however, that Landlord and owners of such other buildings will have the right in their sole discretion to adopt rules and regulations relating to bridge and tunnel use.
- (e) "Construction Administration Fee" means for all Alterations to be performed in the Premises, Tenant agrees to pay Landlord a fee equal to five percent (5%) of the total cost of said Alterations.
- (f) "Expenses" means the aggregate of any and all costs (other than those expressly excluded below) incurred or accrued during each Fiscal Year according to generally accepted accounting principles for operating, managing, administering, equipping, securing, protecting, repairing, replacing, renewing, cleaning, maintaining, decorating, inspecting, and providing water, sewer and other energy and utilities to the Land, Building and Common Areas; administrative fees in an amount equal to a market administration fee, but no less than three percent (3%) of the gross revenue received from the Building (provided that if Landlord elects to use the services of a managing agent, Expenses will include, instead of administrative fees, management fees calculated in the same manner as administrative fees); fees and expenses (including reasonable attorney's fees) incurred in contesting the validity of any Laws that would cause an increase in Expenses; depreciation on personal property and moveable equipment which is or should be capitalized on Landlord's books; occupancy costs associated with the Building management office, consisting of Base Rent costs plus the proportionate share of Expenses and Taxes attributable to such office; Capital expenses made by reason of insurance requirements and costs (whether capital or not) that are incurred in order to conform to changes subsequent to the Date in any Laws, or that are made by reason of insurance requirements, or that are intended to reduce Expenses or the rate of increase in Expenses (such costs will not be included in Expenses for the Base Year and will otherwise be charged to Expenses in annual installments over the useful life of the items for which such costs are incurred [in the case of items required by changes in Laws or insurance requirements] or over the period Landlord reasonably estimates that it will take for the savings in Expenses achieved by such items to equal their cost [in the case of items intended to reduce Expenses or their rate of increase], and in either case together with interest, each Fiscal Year such costs are charged to Expenses, on the unamortized balance at an interest rate of 1% in excess of the average Prime Rate in effect during such Fiscal Year). Expenses will not include (1) mortgage principal or interest; (2) ground lease payments; (3) leasing commissions; (4) costs of advertising space for lease in the Building; (5) costs for which Landlord is reimbursed by insurance proceeds or from tenants of the Building (other than such tenants' regular contributions to Expenses); (6) any depreciation or capital expenditures (except as expressly provided above); (7) legal fees incurred for negotiating leases or collecting rents; (8) costs directly and solely related to the maintenance and operation of the entity that constitutes the Landlord, such as accounting fees incurred

solely for the purpose of reporting Landlord's financial condition; and (9) costs of operating, repairing or maintaining the parking facilities serving the Building. For each Fiscal Year during the Term, the amount by which those Expenses that vary with occupancy (such as cleaning costs and utilities) would have increased had the Building been 100% occupied and operational and had all Building services been provided to all tenants will be reasonably determined and the amount of such increase will be included in Expenses for such Fiscal Year.

(g) "Fiscal Year" means Landlord's fiscal year, which ends on December 31st of each calendar year and may be changed at Landlord's discretion.

(h) "Force Majeure" means any acts of God, governmental restriction, strikes, labor disturbances, shortages of materials or supplies, or any other cause or event beyond the parties' reasonable control (but not because of insolvency, lack of funds or other financial cause), by which either party is hindered or prevented from performance of any act under this Lease, then performance of such act shall be excused for the period during which such performance is rendered impossible; and time for performance shall be extended accordingly. However, Force Majeure shall not relieve either party from any obligation under this Lease. No such delay shall constitute an actual or constructive eviction in whole or in part, or entitle Tenant to any abatement or diminution of rents or other charges due, or impose any liability upon Landlord or its agents because of inconvenience to Tenant or injury to or interruption of Tenant's business.

(i) "Land" means the real property located at 5100 Poplar Ave., Memphis, TN 38137, less any portions that may be conveyed separately from the Building by Landlord from time to time, plus any additional real property located proximate to the Land that may be operated by Landlord from time to time in conjunction with the Land.

(j) "Laws" means any and all present or future federal, state or local laws, statutes, ordinances, rules, regulations or orders of any and all governmental or quasi-governmental authorities having jurisdiction.

(k) "Lease Year" means each successive period of 12 calendar months during the Term, ending on the same day and month (but not year, except in the case of the last Lease Year) as the day and month on which the Expiration Date will occur. If the Commencement Date is not the first day of a month, the first Lease Year will be greater than 12 months by the number of days from the Commencement Date to the last day of the month in which the Commencement Date occurs.

(l) "Prime Rate" means the rate of interest announced from time to time by Citibank, N.A., or any successor to it, as its prime rate. If Citibank, N.A. or any successor to it ceases to announce a prime rate, Landlord will designate a reasonably comparable financial institution for purposes of determining the Prime Rate.

(m) "Rent" means the Base Rent, Additional Rent and all other amounts required to be paid by Tenant under this Lease.

(n) "Taxes" means the amount incurred or accrued during each Fiscal Year according to generally accepted accounting principles for that portion of the following items that is allocable to the Land and Building: all ad valorem real and personal property taxes and assessments, special or otherwise, levied upon or with respect to the Land or Building, the personal property used in operating the Building, and the rents and additional charges payable by tenants of the Building, and imposed by any taxing authority having jurisdiction; all taxes, levies and charges which may be assessed, levied or imposed in replacement of, or in addition to, all or any part of ad valorem real or personal property taxes or assessments as revenue sources, and which in whole or in part are measured or calculated by or based upon the Land or Building, the leasehold estate of Landlord or the tenants of the Building, or the rents and other charges payable by such tenants; capital and place-of-business taxes, and other similar taxes assessed relating to the Building; and any reasonable expenses incurred by Landlord in attempting to reduce or avoid an increase in Taxes, including, without limitation, reasonable legal fees and costs. Taxes will not include any net income taxes of Landlord. Tenant acknowledges that Taxes may increase during the Term and that if the Building or Land, or both, are currently subject to a Taxes abatement program and such program ceases to benefit the Building or Land, or both, during the Term, Taxes will increase.

2. GRANT OF LEASE.

2.1 Demise.

Subject to the terms, covenants, conditions and provisions of this Lease, Landlord leases to Tenant and Tenant leases from Landlord the Premises, together with the non-exclusive right to use the Common Areas, for the Term.

2.2 Quiet Enjoyment.

Landlord covenants that during the Term Tenant will have quiet and peaceable possession of the Premises, subject to the terms, covenants, conditions and provisions of this Lease, and Landlord will not disturb such possession except as expressly provided in this Lease.

2.3 Landlord And Tenant Covenants.

Landlord covenants to observe and perform all of the terms, covenants and conditions applicable to Landlord in this Lease. Tenant covenants to pay the Rent when due, and to observe and perform all of the terms, covenants and conditions applicable to Tenant in this Lease.

3. TERM.

3.1 Commencement Date.

"Commencement Date" means November 1, 2002.

3.2 Early Occupancy.

INTENTIONALLY DELETED.

3.3 Delayed Occupancy.

INTENTIONALLY DELETED.

3.4 Surrender.

Upon the expiration or other termination of the Term, Tenant will immediately vacate and surrender possession of the Premises in good order, repair and conditions, except for ordinary wear and tear. Any of Tenant's property remaining in the Premises will be conclusively deemed to have been abandoned by Tenant and may be appropriated, stored, sold, destroyed or otherwise disposed of by Landlord without notice or obligation to account to or compensate Tenant.

3.5 Holding Over.

Tenant understands that it does not have the right to hold over at any time and Landlord may exercise any and all remedies at law or in equity to recover possession of the Premises, as well as any damages incurred by Landlord, due to Tenant's failure to vacate the Premises and deliver possession to Landlord as required by this Lease. If Tenant holds over after the Expiration Date with Landlord's prior written consent, Tenant will be deemed to be a tenant from month to month, at a monthly Base Rent, payable in advance, equal to 150% of monthly Base Rent payable during the last year of the Term, and Tenant will be bound by all of the other terms, covenants and agreements of this Lease as the same may apply to a month-to-month tenancy. If Tenant holds over after the Expiration Date without Landlord's prior written consent, Tenant will be deemed a tenant at sufferance, at a daily Base Rent, payable in advance, equal to 200% of the Base Rent per day payable during the last year of the Term, and Tenant will be bound by all of the other terms, covenants and agreements of this Lease as the same may apply to a tenancy at sufferance.

4. RENT.

4.1 Base Rent.

Commencing on the Commencement Date and then throughout the Term, Tenant agrees to pay Base Rent in monthly installments the amount specified in Section 1.1(h), in advance, on or before the first day of each and every month during the Term.

4.2 Additional Rent.

Tenant agrees to pay Landlord, as Additional Rent, in the manner provided below for each Fiscal Year subsequent to the Base Year that contains any part of the Term, Tenant's Share of (i) the amount by which

Expenses for such Fiscal Year exceed Expenses for the Base Year ("Additional Expenses"); and (ii) the amount by which Taxes for such Fiscal Year exceed Taxes for the Base Year ("Additional Taxes").

(a) **Estimated Payments.** Prior to or as soon as practicable after the beginning of each Fiscal Year subsequent to the Base Year, Landlord will notify Tenant of Landlord's estimate of Tenant's Share of Additional Expenses and Additional Taxes for the ensuing Fiscal Year. On or before the first day of each month during the ensuing Fiscal Year, Tenant will pay to Landlord, in advance, 1/12 of such estimated amounts, provided that until such notice is given with respect to the ensuing Fiscal Year, Tenant will continue to pay on the basis of the prior Fiscal Year's estimate until the month after the month in which such notice is given. In the month Tenant first pays based on Landlord's new estimate, Tenant will pay to Landlord 1/12 of the difference between the new estimate and the prior year's estimate for each month which has elapsed since the beginning of the current Fiscal Year. If at any time or times it appears to Landlord that Tenant's Share of Additional Expenses or Tenant's Share of Additional Taxes for the then-current Fiscal Year will vary from Landlord's estimate by more than 5%, Landlord may, by notice to Tenant, revise its estimate for such year and subsequent payments by Tenant for such year will be based upon the revised estimate.

(b) **Annual Settlement.** As soon as practicable after the close of each Fiscal Year subsequent to the Base Year, Landlord will deliver to Tenant its statement of Tenant's Share of Additional Expenses and Additional Taxes for such Fiscal Year. If on the basis of such statement Tenant owes an amount that is less than the estimated payments previously made by Tenant for such Fiscal Year, Landlord will either refund such excess amount to Tenant or credit such excess amount against the next payment(s), if any, due from Tenant to Landlord. If on the basis of such statement Tenant owes an amount that is more than the estimated payments previously made by Tenant for such Fiscal Year, Tenant will pay the deficiency to Landlord within 30 days after the delivery of such statement. If this Lease commences on a day other than the first day of a Fiscal Year or terminates on a day other than the last day of a Fiscal Year, Tenant's Share of Additional Expenses and Additional Taxes applicable to the Fiscal Year in which such commencement or termination occurs will be prorated on the basis of the number of days within such Fiscal Year that are within the Term.

(c) **Final Payment.** Tenant's obligation to pay the Additional Rent and Landlord's obligation to refund or credit any overpayment of Additional Rent provided for in this Section 4.2 which is accrued but not paid for periods prior to the expiration or early termination of the Term will survive such expiration or early termination. Prior to or as soon as practicable after the expiration or early termination of the Term, Landlord may submit an invoice to Tenant stating Landlord's estimate of the amount by which Tenant's Share of Additional Expenses and Additional Taxes through the date of such expiration or early termination will exceed Tenant's estimated payments of Additional Rent for the Fiscal Year in which such expiration or termination has occurred or will occur. Tenant will pay the amount of any such excess to Landlord within 30 days after the date of Landlord's invoice.

4.3 Other Taxes.

INTENTIONALLY DELETED.

4.4 Terms of Payment.

All Base Rent, Additional Rent and other Rent will be paid to Landlord in lawful money of the United States of America, at Landlord's Building Address or to such other person or at such other place as Landlord may from time to time designate in writing, without notice or demand and without right of deduction, abatement or setoff, except as otherwise expressly provided in this Lease.

4.5 Interest on Late Payments.

All amounts payable under this Lease by Tenant to Landlord, if not paid when due, will bear interest from the due date until paid at the lesser of the highest interest rate permitted by law or 5% in excess of the then-current Prime Rate.

4.6 Right to Accept Payments.

No receipt by Landlord of an amount less than Tenant's full amount due will be deemed to be other than payment "on account", nor will any endorsement or statement on any check or any accompanying letter effect or evidence an accord and satisfaction. Landlord may accept such check or payment without prejudice to Landlord's right to recover the balance or pursue any right of Landlord. No payments by Tenant to

Landlord after the expiration or other termination of the Term, or after the giving of any notice (other than a demand for payment of money) by Landlord to Tenant, will reinstate, continue or extend the Term or make ineffective any notice given to Tenant prior to such payment. After notice or commencement of a suit, or after final judgment granting Landlord possession of the Premises, Landlord may receive and collect any sums of Rent due under this Lease, and such receipt will not void any notice or in any manner affect any pending suit or any judgment obtained.

5. CONDITION OF PREMISES.

Tenant accepts the Premises in "as-is" condition. Except as may be expressly set forth in this Lease, Tenant acknowledges that neither Landlord, nor any employee, agent or contractor of Landlord has made any representation or warranty concerning the Land, Building, Common Areas or Premises, or the suitability of either for the conduct of Tenant's business. The Premises do not include any areas above the finished ceiling or below the finished floor covering installed in the Premises or any other areas not shown on Exhibit A as being part of the Premises. Landlord reserves, for Landlord's exclusive use, any of the following (other than those installed for Tenant's exclusive use) that may be located in the Premises: janitor closets, stairways and stairwells; fan, mechanical, electrical, telephone and similar rooms; and elevator, pipe and other vertical shafts, flues and ducts.

6. USE AND OCCUPANCY.

6.1 Use.

(a) Tenant agrees to use and occupy the Premises only for the Use described in Section 1.1(e), or for such other purpose as Landlord expressly authorizes in writing.

(b) The use of the Premises permitted under Section 6.1(a) shall not include, and Tenant shall not use, or permit the use of, the Premises or any part thereof for: (i) the offices or business of a governmental or quasi-governmental bureau, department or agency, foreign or domestic, including an autonomous governmental corporation or diplomatic or trade mission; or (ii) conduct or maintenance of any gambling or gaming activities or any political activities of any club activities, or a school or employment or placement agency.

6.2 Compliance.

(a) Tenant agrees to use the Premises in a safe, careful and proper manner, and to comply with all Laws applicable to Tenant's use and occupancy of the Premises. If, (i) due to the nature or manner of any use or occupancy of the Premises by Tenant, or (ii) to a condition created by Tenant, or a breach of Tenant's obligations hereunder or the negligence of Tenant or its invitees, or (iii) the requirement of installation or modification of any gas, smoke or fire detector or alarm or any sprinkler or other system to prevent or extinguish fire or combustion or to promote fire safety, any improvements or alterations to the Premises or Building or changes in the services provided by Landlord according to Section 7 are required to comply with any Laws, or with requirements of Landlord's insurers, then Tenant will pay all costs of the required improvements, alterations or changes in services.

(b) Landlord and Tenant agree that, during the Term, each will comply with all Laws governing, and all procedures established by Landlord for, the use, abatement, removal, storage, disposal or transport of any substances, chemicals or materials declared to be, or regulated as, hazardous or toxic under any applicable Laws ("Hazardous Substances") and any required or permitted alteration, repair, maintenance, restoration, removal or other work in or about the Premises, Building or Land that involves or affects any Hazardous Substances. Each party will indemnify and hold the other and the other's "Affiliates" (as defined in Section 13.1) harmless from and against any and all claims, costs and liabilities (including reasonable attorneys' fees) arising out of or in connection with any breach by such party of its covenants under this Section 6.2(b). The parties' obligations under this Section 6.2(b) will survive the expiration or early termination of the Term.

6.3 Occupancy.

Tenant will not do or permit anything which obstructs or interferes with other tenants' rights or with Landlord's providing Building services, or which injures or annoys other tenants. Tenant will not cause,

maintain or permit any nuisance in or about the Premises and will keep the Premises free of debris, and anything of a dangerous, noxious, toxic or offensive nature or which could create a fire hazard or undue vibration, heat or noise. If any item of equipment, building material or other property brought into the Building by Tenant or on Tenant's request causes a dangerous, noxious, toxic or offensive effect including an environmental effect) and in Landlord's reasonable opinion such effect will not be permanent but will only be temporary and is able to be eliminated, then Tenant will not be required to remove such item, provided that Tenant promptly and diligently causes such effect to be eliminated, pays for all costs of elimination and indemnifies Landlord against all liabilities arising from such effect. Tenant will not make or permit any use of the Premises which may jeopardize any insurance coverage, increase the cost of insurance or require additional insurance coverage. If by reason of Tenant's failure to comply with the provisions of this Section 6.3(a) any insurance coverage is jeopardized, then Landlord will have the option to terminate this Lease or (b) insurance premiums are increased, then Landlord may require Tenant to immediately pay Landlord as Rent the amount of the increase in insurance premiums.

7. SERVICES AND UTILITIES.

7.1 Landlord's Standard Services.

During the Term, Landlord will operate and maintain the Building in compliance with all applicable Laws which are not the obligation of Tenant and according to those standards from time to time prevailing for first-class office buildings in the area in which the Building is located. Landlord will provide the following services according to such standards, the costs of which will be included in Expenses to the extent provided in Section 1.3(f):

(a) repair, maintenance and replacement of all the exterior and structural elements of the Building including the exterior windows and the Common Areas and all general mechanical, plumbing and electrical systems installed in the Building, but excluding those portions of any mechanical, plumbing or electrical systems that exclusively serve the Premises such as (by means of illustration only) supplemental heating, ventilation and air-conditioning ("HVAC") systems, kitchen plumbing and equipment, plumbing for restrooms exclusively used by Tenant and wall plugs and switches ("Exclusive Systems").

(b) heating and air-conditioning the Premises and Common Areas during Business Hours, at temperatures and in amounts as may be reasonably required for comfortable use and occupancy under normal business operations with "Customary Office Equipment" subject to compliance with all applicable voluntary and mandatory regulations and laws (as used in this Lease, "Customary Office Equipment" will include typewriters, calculators, dictation recorders, desk top personal computers, small reproduction machines and similar devices and equipment; but will not include any machines, devices or equipment that adversely affect the temperature otherwise maintained in the Premises such as, e.g., data processing or heavy-duty computer or reproduction equipment). If Tenant requires heating or air-conditioning for the Premises outside Business Hours, Landlord will furnish the same for the hours specified in a request from Tenant (which request will be made at the time and in the manner reasonably designated by Landlord for such requests from time to time), and for this service Tenant will pay Landlord, within 10 days after the date of Landlord's invoice, the hourly rate reasonably determined by Landlord from time to time;

(c) cold water for small kitchens, hot and cold water for washrooms not exclusively used by Tenant and water for drinking fountains (excluding water for air conditioning units for exclusive use by Tenant);

(d) janitorial services to the Premises and Building Common Areas, exclusive of Holidays, substantially similar to the services provided in other first class office buildings in the East Memphis Corridor;

(e) operatorless passenger elevators for access to and from the floor(s) on which the Premises are located. Operatorless passenger elevator service is in common with Landlord and other tenants. Operatorless freight elevator service shall also be available in common with Landlord and other tenants, but any use of the operatorless freight elevator service by Tenant and/or contractors or employees of Tenant shall be at Tenant's sole responsibility and expense and at times satisfactory to and subject to scheduling by Landlord. Tenant shall abide by all rules and regulations established by Landlord from time to time with respect to the use of passenger and freight elevator service.

- (f) toilet facilities, including necessary washroom supplies sufficient for Tenant's normal use;
- (g) electric lighting for all Common Areas that require electric light during the day or are open at night, including replacement of tubes and ballasts in lighting fixtures;
- (h) electrical facilities and sufficient power for standard office machines of similar low electrical consumption; but not including electricity required for main frame electronic data equipment which, singularly, consumes more than 0.5 kilowatts at rated capacity or requires a voltage other than 120 volts single phase; and
- (i) replacement of tubes and ballasts in those Building standard lighting fixtures installed in the Premises.

7.2 Separate Utility Services.

In addition to the standard services provided according to Section 7.1, Landlord will furnish the following "Separate Utilities" to the extent they are currently available within the Premises using existing Building equipment: electricity for Tenant's use in the Premises so long as such use shall not exceed five thousand (5,000) watt hours annually per rentable square foot (with the connected load not exceeding 5 watts per rentable square foot) in the Premises inclusive of Building standard lighting and HVAC and any air conditioning or ventilating equipment serving the Premises or such larger amounts as may be deemed excessive by Landlord; water for air conditioning; and gas. Tenant will pay separately for the costs of all Separate Utilities consumed within the Premises (and such costs will not be included in Expenses). Except when Tenant pays the utility company directly, Tenant will pay Landlord for the costs of Separate Utilities consumed within the Premises. Landlord will invoice Tenant from time to time for such costs, which will be deemed Rent under this Lease, and Tenant will pay the same within 10 days after the date of Landlord's invoice. For the costs of all Separate utilities so payable by Tenant to Landlord, Landlord will charge Tenant (a) by metering at applicable rates, where meters exist or are installed at Landlord's discretion, including all service and meter-reading charges; and/or (b) by use and engineering surveys identifying all costs relating to consumption of Separate Utilities (including, without limitation, survey costs, labor, utility rates and Landlord's administrative fee to the extent allowed by applicable Laws). For purposes of this Section 7.2, from time to time during the Term Landlord may enter the Premises to install, maintain, replace or read meters for Separate Utilities and/or to evaluate Tenant's consumption of and demand for Separate Utilities.

7.3 Additional Services.

(a) If Tenant requires electric current, water or any other energy in excess of the amounts provided by Landlord according to Sections 7.1 and 7.2, such excess electric, water or other energy requirements will be supplied only with Landlord's consent, which consent will not be unreasonably withheld. If Landlord grants such consent, Tenant will pay all costs of meter service and installation of facilities or professional services necessary to measure and/or furnish the required excess capacity. Tenant will also pay the entire cost at the prevailing rate of such additional electricity, water or other energy so required.

(b) If Tenant installs any machines, equipment or devices in the Premises that do not constitute Customary Office Equipment and such machines, equipment or devices cause the temperature in any part of the Premises to exceed the temperature the Building's mechanical system would be able to maintain in the Premises were it not for such machines, equipment or devices, then Landlord reserves the right to install supplementary air conditioning units in the Premises, and Tenant will pay Landlord all costs of installing, operating and maintaining such supplementary units.

(c) If Tenant requires any janitorial or cleaning services in excess of the amounts provided by Landlord according to section 7.1 (such as cleaning services beyond normal office janitorial services for areas such as kitchens, computer rooms medical or dental examination rooms or other special use areas), Landlord will provide such excess services to Tenant within a reasonable period after Tenant's request made to Landlord's Building manager ("Property Manager"), provided that such excess services are available from Landlord's regular janitorial or cleaning contractor. Tenant will pay the cost of such excess services at prevailing rates. Landlord will also provide, within a reasonable period after Tenant's request made to the

Property Manager, at Tenant's cost and to the extent available to Landlord, replacement of bulbs, tubes or ballasts in any non-Building standard lighting fixtures in the Premises.

(d) Landlord has installed telephone riser cables (collectively the "riser cables") from the outside of the building to the terminal block on each floor in the Building. Subject to Landlord's supervision and approval, Tenant shall have the right to use the riser cables by installing telephone lines (the "telephone lines") from the Premises to the terminal block on the floor or floors on which the Premises are located. Landlord, however, makes no representations or warranties with respect to the capacity, suitability or design of the riser cables or terminal blocks. If there is more than one tenant on a floor, Landlord shall allocate hook-ups to the terminal block based on the proportion of rentable square feet that each tenant occupies on the floor. The installation and hook-up of telephone lines by Tenant shall be subject to all of the terms and conditions of this Lease. At the expiration or earlier termination of this Lease, Landlord shall have the option of requiring Tenant to remove all of its telephone lines or leave its telephone lines in place. All of the riser cables and terminal blocks in the Building are and shall be the property of Landlord, and Tenant shall have no rights or interest therein except as set forth herein. Landlord shall be responsible for maintaining the riser cables and terminal blocks, and the cost thereof shall be included in Expenses for purposes of this Lease. Under no circumstances, however, shall Landlord or its agents or employees be liable for, and Tenant waives all claims with respect to, any damages or losses sustained by Tenant or any occupant of the Premises, including any property or consequential damages, resulting from operating or maintenance of the riser cables and terminal blocks. Without limiting the generality of the foregoing, in no event shall Landlord be liable for: (a) any damage to Tenant's telephone lines, telephones or other equipment connected to the telephone lines, (b) interruption or failure of, or interference with, telephone or other service coming through the telephone lines to the Premises or (c) unauthorized eavesdropping or wiretapping.

(e) Tenant will pay as Rent, within 10 days after the date of Landlord's invoice, all costs which may become payable by Tenant to Landlord under this Section 7.3.

7.4 Interruption of Services.

If any of the services provided for in this Section 7 are interrupted or stopped, Landlord will use due diligence to resume the service; provided, however, no irregularity or stoppage of any of these services will create any liability for Landlord (including, without limitation, any liability for damages to Tenant's personal property caused by any such irregularity or stoppage), constitute an actual or constructive eviction or, except as expressly provided below, cause any abatement of the Rent payable under this Lease or in any manner or for any purpose relieve Tenant from any of its obligations under this Lease. If, due to reasons within Landlord's reasonable control, any of the services required to be provided by Landlord under this Section 7 should become unavailable and should remain unavailable for a period in excess of 60 hours after notice of such unavailability from Tenant to Landlord, and if such unavailability should render all or any portion of the Premises where Tenant is actually unable to use any or all of the Premises for the normal conduct of its business ("Untenantable"), then commencing upon the expiration of such 60-hour period, Tenant's Rent will equitably abate in proportion to the portion of the Premises so rendered Untenantable for so long as such services remain unavailable for such reasons. Without limiting those reasons for an irregularity or stoppage of services that may be beyond Landlord's control, any such irregularity or stoppage that is required in order to comply with any Laws will be deemed caused by a reason beyond Landlord's control.

8. REPAIRS.

8.1 Repairs Within the Premises.

Subject to the terms of Sections 6, 7.1(a), 12 and 14, and except to the extent Landlord is required or elects to perform or pay for certain maintenance or repairs according to those sections, Tenant will, at Tenant's own expense: (a) at all times during the Term, maintain the Premises, all fixtures and equipment in the Premises and those portions of any plumbing or electrical systems that exclusively serve the Premises in good order and repair and in a condition that complies with all applicable Laws; and (b) promptly and adequately repair all damage to the Premises and replace or repair all of such fixtures, equipment and portions of the plumbing or electrical systems that are damaged or broken, all under the supervision and subject to the prior reasonable approval of Landlord. All work done by Tenant or its contractors (which contractors will be subject to Landlord's reasonable approval) will be done in a first-class workmanlike manner using only grades of

materials at least equal in quality to Building standard materials and will comply with all insurance requirements and all applicable Laws.

8.2 Failure to Maintain Premises.

If Tenant fails to perform any of its obligations under Section 8.1, then Landlord may perform such obligations and Tenant will pay as Rent to Landlord the cost of such performance, including an amount sufficient to reimburse Landlord for overhead and supervision, within 10 days after the date of Landlord's invoice. For purpose of performing such obligations, or to inspect the Premises, Landlord may enter the Premises upon not less than 10 days' prior notice to Tenant (except in cases of actual or suspected emergency, in which case no prior notice will be required) without liability to Tenant for any loss or damage incurred as a result of such entry, provided that Landlord will take reasonable steps in connection with such entry to minimize any disruption to Tenant's business or its use of the Premises.

8.3 Notice of Damage.

Tenant will notify Landlord promptly after Tenant learns of (a) any fire or other casualty in the Premises; (b) any damage to or defect in the Premises, including the fixtures and equipment in the Premises, for the repair of which Landlord might be responsible; and (c) any damage to or defect in any parts of appurtenances of the Building's sanitary, electrical heating, air conditioning, elevator or other systems located in or passing through the Premises.

9. ALTERATIONS.

9.1 Alterations by Tenant.

Tenant may from time to time at its own expense make changes, additions and improvements to the Premises (individually or collectively referred to as "Alterations") to better adapt the same to its business, provided that any such Alterations (a) will comply with all applicable Laws; (b) will be made only with the prior written consent of Landlord, which consent will not be unreasonably withheld; (c) will equal or exceed Building standard; (d) will be carried out only by persons selected by Tenant and approved in writing by Landlord, who will if required by Landlord deliver to Landlord before commencement of the work performance and payment bonds; (e) do not exceed or adversely affect the capacity, maintenance, operating cost or integrity of the Building's structure or any of its heating, ventilating, air conditioning, plumbing, mechanical, electrical, communications or other systems; (f) is approved by the holder of any Encumbrance; (g) does not violate any agreement which affects the Building or binds Landlord; and (h) does not alter the exterior of the Building in any way. Tenant will maintain, or will cause the persons performing any such work to maintain, worker's compensation insurance and public liability and property damage insurance (with Landlord named as an additional insured), in amounts, with companies and in a form reasonably satisfactory to Landlord, which insurance will remain in effect during the entire period in which the work will be carried out. If requested by Landlord, Tenant will deliver to Landlord proof of all such insurance. Tenant will promptly pay, when due, the cost of all such work and, upon completion, Tenant will deliver to Landlord, to the extent not previously received by Landlord, evidence of payment, contractors' affidavits and full and final waivers of all liens for labor, services or materials. Tenant shall pay the Construction Administration Fee on all Alterations. Tenant will also pay any increase in property taxes on, or fire or casualty insurance premiums for, the Building attributable to such Alterations and the cost of any modifications to the Building outside the Premises that are required to be made in order to make the Alterations to the Premises. Tenant, at its expense, will have promptly prepared and submitted to Landlord reproducible as-built CAD plans of any such Alterations upon their completion. All Alterations to the Premises, whether temporary or permanent in character, made or paid for by Landlord or Tenant will, without compensation to Tenant, become Landlord's property upon installation. If at the time Landlord consents to their installation, Landlord requests or approves the removal by Tenant of any such Alterations upon termination of this Lease, Tenant will remove the same upon termination of this Lease as provided in Section 3.4. All other Alterations will remain Landlord's property upon termination of this Lease and will be relinquished to Landlord in good condition, ordinary wear and tear excepted.

9.2 Alterations by Landlord.

Landlord may from time to time make repairs, changes, additions and improvements to the Building, Common Areas and those Building systems necessary to provide the services described in Section 7, and for such purposes Landlord may enter the Premises upon not less than 10 days' prior notice to Tenant (except in

cases of actual or suspected emergency, in which case no prior notice will be required) without liability to Tenant for any loss or damage incurred as a result of such entry, provided that in doing so Landlord will not disturb or interfere with Tenant's use of the Premises and operation of its business any more than is reasonably necessary in the circumstances and will repair any damage to the Premises caused by such entry. No permanent change, addition or improvement made by Landlord will materially impair access to the Premises.

10. LIENS.

Tenant agrees to pay before delinquency all costs for work, services or materials furnished to Tenant for the Premises, the nonpayment of which could result in any lien against the Land or Building. Tenant will keep title to the Land and Building free and clear of any such lien. Tenant will immediately notify Landlord of the filing of any such lien or any pending claims or proceedings relating to any such lien and will indemnify and hold Landlord harmless from and against all loss, damages and expenses (including reasonable attorneys' fees) suffered or incurred by Landlord as a result of such lien, claims and proceedings. In case any such lien attaches, Tenant agrees to cause it to be immediately released and removed of record (failing which Landlord may do so at Tenant's sole expense), unless Tenant has a good faith dispute as to such lien in which case Tenant may contest such lien by appropriate proceedings so long as Tenant deposits with Landlord a bond or other security in an amount reasonably acceptable to Landlord which may be used by Landlord to release such lien. Upon final determination of any permitted contest, Tenant will immediately pay any judgment rendered and cause the lien to be released.

11. INSURANCE.

11.1 Landlord's Insurance.

During the Term, Landlord will provide and keep in force the following insurance:

(a) commercial general liability insurance relating to Landlord's operation of the Building, for personal and bodily injury and death, and damage to others' property; and

(b) all risk or fire insurance (including standard extended coverage endorsement perils, leakage from fire protective devices and other water damage) relating to the Land and Building (but excluding Tenant's fixtures, furnishings, equipment, personal property, documents, files, inventory, stock-in-trade and work products and all leasehold improvements in the Premises); and

(c) loss of rental income insurance or loss of insurable gross profits commonly insured against by prudent landlords; and

(d) such other insurance (including boiler and machinery insurance) as Landlord reasonably elects to obtain or any Building mortgagee requires.

Insurance effected by Landlord under this Section 11.1 will be in amounts which Landlord from time to time reasonably determines sufficient or any Building mortgagee requires; will be subject to such deductibles and exclusions as Landlord reasonably determines; will, in the case of insurance under Sections 11.1 (b), (c) and (d), permit the release of Tenant from certain liability under Section 13.1 (as long as such permission can be obtained without material additional cost and without rendering void the protection afforded by the policy); and will otherwise be on such terms and conditions as Landlord from time to time reasonably determines sufficient. Tenant acknowledges that Landlord's loss of rental income insurance policy provides that payments by the insurer may be limited to a period of one year following the date of any damage or destruction and that no insurance proceeds will be payable in the case of damage or destruction caused by an occurrence not included in the policies described in Sections 11.1(b), (c) and (d).

11.2 Tenant's Insurance.

During the term, Tenant will provide and keep in force the following insurance:

(a) commercial general liability insurance relating to Tenant's business (carried on, in or from the Premises) and Tenant's use and occupancy, for personal and bodily injury and death, and damage to others' property, with limits of not less than the Liability Insurance Amount for any one accident or occurrence; and

(b) all risk or fire insurance (including standard extended endorsement perils, leakage from fire protective devices and other water damage) relating to Tenant's fixtures, furnishings, equipment, documents, files, work products, inventory, stock-in-trade and all leasehold improvements in the Premises on a full replacement cost basis in amounts sufficient to prevent Tenant from becoming a co-insurer and subject only to such deductibles and exclusions as Landlord may reasonably approve;

(c) if any boiler or machinery is operated in the Premises, boiler and machinery insurance;

(d) business interruption insurance with a minimum limit equal to Tenant's annual rental expense;

(e) workers' compensation insurance with limits as statutorily defined in the State of Tennessee;

(f) employers liability insurance with limits not less than \$1,000,000 each accident, \$1,000,000 each disease-policy limit, and \$1,000,000 each disease-each employee; and

(g) commercial automobile liability insurance with a combined single limit of not less than \$1,000,000 for each accident and/or each person, covering all owned, hired, and non-owned vehicles.

Landlord and the holder of any Encumbrance will be named as an additional insureds in the policy described in Section 11.2(a), which will include cross liability and severability of interests clauses and will be on an "occurrence" (and not a "claims made") form. Landlord and the holder of any Encumbrance will be named as a loss payee, as its interest may appear, in the policies described in Sections 11.2(b) and (c), and such policies will permit the release of Landlord and the holder of any Encumbrance from certain liability under Section 13.2. Tenant's insurance policies will otherwise be upon such terms and conditions as Landlord from time to time reasonably requires. Tenant will file with Landlord, on or before the Commencement Date and at least 10 days before the expiration date of expiring policies, such copies of either current policies, an insurance binder (countersigned by the insurer), Evidence of Insurance (in form Accord 27) or a binding certificate, or other proofs, as may be reasonably required to establish Tenant's insurance coverage in effect from time to time and payment of premiums. If Tenant fails to insure or pay premiums, or to file satisfactory proof as required, Landlord may, upon a minimum of 24-hours' notice, effect such insurance and recover from Tenant on demand any premiums paid.

12. DAMAGE OR DESTRUCTION.

12.1 Termination options.

If the Premises or the Building are damaged by fire or other casualty Landlord will, promptly after learning of such damage, notify Tenant in writing of the time necessary to repair or restore such damage, as estimated by Landlord's architect, engineer or contractor. If such estimate states that repair or restoration of all of such damage that was caused to the Premises or to any other portion of the Building necessary for Tenant's occupancy cannot be completed within 180 days from the date of such damage (or within 30 days from the date of such damage if such damage occurred within the last 12 months of the Term), then Tenant will have the option to terminate this Lease. If such estimate states that repair or restoration of all such damage that was caused to the Building cannot be completed within 180 days from the date of such damage, or if such damage occurred within the last 12 months of the Term and such estimate states that repair or restoration of all such damage that was caused to the Premises or to any other portion of the Building necessary for Tenant's occupancy cannot be completed within 30 days from the date of such damage, or if such damage is not insured against by the insurance policies required to be maintained by Landlord according to Section 11.1, then Landlord will have the option to terminate this Lease. Any option to terminate granted above must be exercised by written notice to the other party given within 10 days after Landlord delivers to Tenant the notice of estimated repair time. If either party exercises its option to terminate this Lease, the Term will expire and this Lease will terminate 10 days after notice of termination is delivered; provided, however, that Rent for the period commencing on the date of such damage until the date this Lease terminates will be reduced to the reasonable value of any use or occupation of the Premises by Tenant during such period and

Landlord will be entitled to all proceeds of the insurance policy described in Section 11.2(b) applicable to any damaged leasehold improvements in the Premises.

12.2 Repair Obligations.

If the Premises or the Building are damaged by fire or other casualty and neither party terminates this Lease according to Section 12.1, then Landlord will repair and restore such damage with reasonable promptness, subject to delays for insurance adjustments and delays caused by matters beyond Landlord's control. Landlord will have no liability to Tenant and Tenant will not be entitled to terminate this Lease if such repairs and restoration are not in fact completed within the estimated time period, provided that Landlord promptly commences and diligently pursues such repairs and restoration to completion. In no event will Landlord be obligated to repair, restore or replace any of the property required to be insured by Tenant according to Section 11.2; Tenant agrees to repair, restore or replace such property as soon as possible after the date of damage, to at least the condition existing prior to its damage, using materials at least equal to Building standard. However, in connection with its repair and restoration of such damage, Landlord may, at its option, elect to repair and restore the damage, if any, caused to any or all of the leasehold improvements required to be insured by Tenant according to Section 11.2(b). If Landlord makes such election, Landlord will be entitled to all proceeds of the insurance policy described in Section 11.2(b) applicable to the leasehold improvements Landlord so elects to repair or restore.

12.3 Rent Abatement.

If any fire or casualty damage renders the Premises Untenantable and if this Lease is not terminated according to Section 12.1, then Rent will abate beginning on the date of such damage. Such abatement will end on the date Landlord has substantially completed the repairs and restoration Landlord is required to perform according to Section 12.2. Such abatement will be in an amount bearing the same ratio to the total amount of Rent for such period as the untenable portion of the Premises bears to the entire Premises. In no event will Landlord be liable for any inconvenience or annoyance to Tenant or injury to the business of Tenant resulting in any way from damage caused by fire or other casualty or the repair of such damage, provided however that, to the extent Tenant remains in possession of a portion of the Premises, Landlord will take all reasonable steps to minimize the disruption to Tenant's business and use of such portion of the Premises during the period of repair.

13. WAIVERS AND INDEMNITIES.

13.1 Landlord's Waivers.

As used in this Section 13, a party's "Affiliates" means that party's parent, subsidiary and affiliated corporations and its and their partners, ventures, directors, officers, shareholders, agents, servants and employees. Tenant and its Affiliates will not be liable or in any way responsible to Landlord for, and Landlord waives all claims against Tenant and its Affiliates for, any loss, injury or damage that is insured or required to be insured by Landlord under Sections 11.1(b), (c) or (d), so long as such loss, injury or damage results from or in connection with this Lease or Tenant's use and occupancy of the Premises. Landlord's waivers under this Section 13.1 will survive the expiration or early termination of the Term.

13.2 Tenant's Waivers.

Except to the extent caused by the willful or negligent act or omission or breach of this Lease by Landlord or anyone for whom Landlord is legally responsible, Landlord, its Affiliates and the holder of any Encumbrance will not be liable or in any way responsible for, and Tenant waives all claims against Landlord, its Affiliates and the holder of any Encumbrance for any loss, injury or damage suffered by Tenant or others relating to (a) loss or theft of, or damage to, property of Tenant or others; (b) injury or damage to persons or property resulting from fire, explosion, falling plaster, escaping steam or gas, electricity, water, rain or snow, or leaks from any part of the Building or from any pipes, appliances or plumbing, or from dampness; or (c) damage caused by other tenants, occupants or persons in the Premises or other premises in the Building, or caused by the public or by construction of any private or public work. Landlord, its Affiliates and the holder of any Encumbrance will not be liable or in any way responsible to Tenant for, and Tenant waives all claims against Landlord, its Affiliates and the holder of any Encumbrance for, any loss, injury or damage that is insured or required to be insured by Tenant under Sections 11.2(b) or (c), so long as such loss, injury or damage results from or in connection with this Lease or Landlord's operation of the Building. Tenant's waivers under this Section 13.2 will survive the expiration or early termination of the Term.

13.3 Landlord's Indemnity.

Subject to Section 7.4 and 13.2 and except to the extent caused by the willful or negligent act or omission or breach of this Lease by Tenant or anyone for whom Tenant is legally responsible, Landlord will indemnify and hold Tenant harmless from and against any and all liability, loss, claims, demand, damages or expenses (including reasonable attorneys' fees) due to or arising out of any willful or negligent act or omission or breach of this Lease by Landlord or anyone for whom Landlord is legally responsible. Landlord's obligations under this Section 13.3 will survive the expiration or early termination of the Term.

13.4 Tenant's Indemnity.

Subject to Section 13.1 and except to the extent caused by the willful or negligent act or omission or breach of this Lease by Landlord or anyone for whom Landlord is legally responsible, Tenant will indemnify and hold Landlord and the holder of any Encumbrance harmless from and against any and all liability, loss, claims, demands, damages or expenses (including reasonable attorneys' fees) due to or arising out of any accident or occurrence on or about the Premises (including, without limitation, accidents or occurrences resulting in injury, death, property damage or theft) or any willful or negligent act or omission of or breach of this Lease by Tenant or anyone for whom Tenant is legally responsible. Tenant's obligations under this Section 13.4 will survive the expiration or early termination of the Term.

14. CONDEMNATION.

14.1 Full Taking.

If all or substantially all of the Building or Premises are taken for any public or quasi-public use under any applicable Laws or by right of eminent domain, or are sold to the condemning authority in lieu of condemnation, then this Lease will terminate as of the date the earlier of when the condemning authority takes physical possession of or title to the Building or Premises.

14.2 Partial Taking.

(a) Landlord's Termination of Lease. If only part of the Building or Premises is thus taken or sold, and if after such partial taking, in Landlord's reasonable judgment, alteration or reconstruction is not economically justified, then Landlord (whether or not the Premises are affected) may terminate this Lease by giving written notice to Tenant within 60 days after the taking.

(b) Tenant's Termination. If over 20% of the Premises is thus taken or sold and Landlord is unable to provide Tenant with comparable replacement premises in the Building, Tenant may terminate this Lease if in Tenant's reasonable judgment the Premises cannot be operated by Tenant in an economically viable fashion because of such partial taking. Such termination by Tenant must be exercised by written notice to Landlord given not later than 60 days after Tenant is notified of the taking of the Premises.

(c) Effective Date of Termination. Termination by Landlord or Tenant will be effective as of the date when physical possession of the applicable portion of the Building or Premises is taken by condemning authority.

(d) Election to Continue Lease. If neither Landlord nor Tenant elects to terminate this Lease upon a partial taking of a portion of the Premises, the Rent payable under this Lease will be diminished by an amount allocable to the portion of the Premises which was so taken or sold. If this Lease is not terminated upon a partial taking of the Building or Premises, Landlord will, at Landlord's sole expense, promptly restore and reconstruct the Building and Premises to substantially their former condition to the extent the same is feasible. However, Landlord will not be required to spend for such restoration or reconstruction an amount in excess of the net amount received by Landlord as compensation or damages for the part of the Building or Premises so taken.

14.3 Awards.

As between the parties to this Lease, Landlord will be entitled to receive, and Tenant assigns to Landlord, all of the compensation awarded upon taking of any part or all of the Building or Premises, including any award for the value of the unexpired Term. However, Tenant may assert a claim in a separate proceeding against

the condemning authority for any damages resulting from the taking of Tenant's trade fixtures or personal property, or for moving expenses, business relocation expenses or damages to Tenant's business incurred as a result of such condemnation.

15. ASSIGNMENT AND SUBLETTING.

15.1 Limitation.

Without Landlord's prior written consent, Tenant will not assign all or any part of its interest under this Lease, sublet all or any part of the Premises or permit the Premises to be used by any parties other than Tenant and its employees.

15.2 Notice Of Proposed Transfer; Landlord's Options.

INTENTIONALLY DELETED.

15.3 Consent Not To Be Unreasonably Withheld.

INTENTIONALLY DELETED.

15.4 Form Of Transfer.

INTENTIONALLY DELETED.

15.5 Payments To Landlord.

INTENTIONALLY DELETED.

15.6 Change Of Ownership.

INTENTIONALLY DELETED.

15.7 Permitted Transfers.

INTENTIONALLY DELETED.

15.8 Effect Of Transfers.

INTENTIONALLY DELETED.

16. PERSONAL PROPERTY.

16.1 Installation And Removal.

Tenant may install in the Premises its personal property (including Tenant's usual trade fixtures) in a proper manner, provided that no such installation will interfere with or damage the mechanical, plumbing or electrical systems or the structure of the Building, and provided further that if such installation would require any change, addition or improvement to the Premises, such installation will be subject to Section 9.1. If no Default then exists, any such personal property installed in the Premises by Tenant (a) may be removed from the Premises from time to time in the ordinary course of Tenant's business or in the course of making any changes, additions or improvements to the Premises permitted under Section 9.1, and (b) will be removed by Tenant at the end of the Term according to Section 3.4. Tenant will promptly repair at its expense any damage to the Building resulting from such installation or removal.

16.2 Responsibility.

Tenant will be solely responsible for all costs and expenses related to personal property used or stored in the Premises. Tenant will pay any taxes or other governmental impositions levied upon or assessed against such personal property, or upon Tenant for the ownership or use of such personal property, on or before the due date for payment. Such personal property taxes or impositions are not included in Taxes.

16.3 Landlord's Lien.

In addition to any statutory landlord's lien and in order to secure payment of all Rent becoming due from Tenant, and to secure payment of any damages or loss which Landlord may suffer by reason of Tenant's failure to perform any of its obligations under this Lease, Tenant grants to Landlord a security interest in and an express contractual lien upon all goods, wares, equipment, fixtures, furniture, improvements and other personal property of Tenant now or later situated on the Premises and all proceeds thereof. Tenant's personal property may not be removed from the Premises without Landlord's consent at any time a Default exists or,

except as provided in Section 16.1, until all of Tenant's obligations under this lease have been fully complied with and performed. Upon the occurrence of a Default, in addition to any other available remedies, Landlord will have all the rights of a secured party under the Tennessee Uniform Commercial Code with respect to the property covered by such security interest. Upon Landlord's request, Tenant agrees to execute and deliver to Landlord such financing statements as may be required to perfect such security interest.

17. ESTOPPEL CERTIFICATES.

Tenant agrees that at any time and from time to time (but on not less than 10 days' prior request by Landlord), Tenant will execute, acknowledge and deliver to Landlord a certificate indicating any or all of the following: (a) the Commencement Date and Expiration Date; (b) that this Lease is unmodified and in full force and effect (or, if there have been modifications, that this Lease is in full force and effect, as modified, and stating the date and nature of each modification); (c) the date, if any, through which Base Rent, Additional Rent and any other Rent payable have been paid; (d) that no default by Landlord, to the best of Tenant's knowledge, or Tenant exists which has not been cured, except as to defaults stated in such certificate; (e) provided such events have occurred, that Tenant has accepted the Premises and that all improvements required to be made to the Premises by Landlord have been completed according to this Lease; (g) that, except as specifically stated in such certificate, Tenant, and only Tenant, currently occupies the Premises; and (h) such other matters as may be reasonably requested by Landlord. Any such certificate may be relied upon by Landlord and any prospective purchaser or present or prospective mortgagee, deed of trust beneficiary or ground lessor of all or a portion of the Building.

18. TRANSFER OF LANDLORD'S INTEREST.

18.1 Sale, Conveyance And Assignment.

Nothing in this Lease will restrict Landlord's right to sell, convey, assign or otherwise deal with the Building or Landlord's interest under this Lease.

18.2 Effect Of Sale, Conveyance Or Assignment.

A sale, conveyance or assignment of the Building will automatically release Landlord from liability under this Lease from and after the effective date of the transfer, except for any liability relating to the period prior to such effective date; and Tenant will look solely to Landlord's transferee for performance of Landlord's obligations relating to the period after such effective date. This Lease will not be affected by any such sale, conveyance or assignment and Tenant will attorn to Landlord's transferee.

18.3 Subordination And Nondisturbance.

This Lease is and will be subject and subordinate in all respects to any ground lease, mortgage or deed of trust now or later encumbering the Building, and to all their renewals, modifications, supplements, consolidations and replacements (an "Encumbrance"). With respect to any Encumbrance first encumbering the Building subsequent to the Date of this Lease, Landlord will use its good faith efforts to cause the holder of such Encumbrance to agree (either in the Encumbrance or in a separate agreement with Tenant) that so long as Tenant is not in default of its obligations under this Lease, this Lease will not be terminated and Tenant's possession of the Premises will not be disturbed by the termination or foreclosure, or proceedings for enforcement, of such Encumbrance. While such subordination will occur automatically, Tenant agrees, upon request by and without cost to Landlord or any successor in interest, to promptly execute and deliver to Landlord or the holder of an Encumbrance such instrument(s) as may be reasonably required to evidence such subordination. In the alternative, however, the holder of an Encumbrance may unilaterally elect to subordinate such Encumbrance to this Lease.

18.4 Attornment.

If the interest of Landlord is transferred to any person (a "Successor Landlord") by reason of the termination or foreclosure, or proceedings for enforcement, of an Encumbrance, or by delivery of a deed in lieu of such foreclosure or proceedings, Tenant will immediately and automatically attorn to the Successor Landlord. Upon attornment this Lease will continue in full force and effect as a direct lease between the Successor Landlord and Tenant, upon all of the same terms, conditions and covenants as stated in this Lease except that a Successor Landlord shall not be (a) liable for any previous act or omission or negligence of Landlord under this Lease, (b) subject to any counterclaim defense or offset not expressly provided for in this Lease and asserted with reasonable promptness, which therefore shall have accrued to Tenant against Landlord, (c)

bound by any previous modification or amendment of this Lease or by any previous prepayment of more than one month's Rent, unless such modification or prepayment shall have been approved in writing by the holder of any Encumbrance through or by reason of which the Successor Landlord shall have succeeded to the rights of Landlord under this Lease, (d) obligated to perform any repairs or other work beyond Landlord's obligations under this Lease, (e) liable for the payment of any security deposit unless same has been delivered to Successor Landlord., (f) bound by any obligation to pay for services prior to foreclosure, or (g) responsible for any monies owed by Landlord to Tenant. Tenant agrees, upon request by and without cost to the Successor Landlord, to promptly execute and deliver to the Successor Landlord such instrument(s) as may be reasonably required to evidence such attornment.

19. RULES AND REGULATIONS.

Tenant agrees to faithfully observe and comply with the Rules and Regulations set forth in Exhibit D and with all reasonable modifications and additions to such Rules and Regulations (which will be applicable to all Building tenants) from time to time adopted by Landlord and of which Tenant is notified in writing. No such modification or addition will contradict or abrogate any right expressly granted to Tenant under this Lease. Landlord's enforcement of the Rules and Regulations will be uniform and nondiscriminatory, but Landlord will not be responsible to Tenant for failure of any person to comply with the Rules and Regulations.

20. TENANT'S DEFAULT AND LANDLORD'S REMEDIES.

20.1 Default.

This Lease and the Term and rights hereby granted are subject to the following limitations which will each constitute a material breach by Tenant and a "Default" under this Lease:

(a) **Failure to Pay Rent.** Tenant fails to pay Base Rent, Additional Rent or any other Rent payable by Tenant under the terms of this Lease when due, and such failure continues for 5 days after written notice from Landlord to Tenant of such failure; provided that with respect to Base Rent and Additional Rent, Tenant will be entitled to only 3 notices of such failure during any Lease Year and if, after 3 such notices are given in any Lease Year, Tenant fails, during such Lease Year, to pay any such amounts when due, such failure will constitute a Default without further notice by Landlord or additional cure period.

(b) **Failure to Perform Other Obligations.** Tenant breaches or fails to comply with any other provision of this Lease applicable to Tenant, and such breach or noncompliance continues for a period of 5 days after notice by Landlord to Tenant; or, if such breach or noncompliance cannot be reasonably cured within such 5-day period, Tenant does not in good faith commence to cure such breach or noncompliance within such 5-day period or does not diligently complete such cure as soon as possible, but no later than 60 days after such notice from Landlord. However, if such breach or noncompliance causes or results in (i) a dangerous condition on the Premises or the Building, (ii) any insurance coverage carried by Landlord or Tenant with respect to the Premises or Building being jeopardized, or (iii) a material disturbance to another tenant, then a Default will exist if such breach or noncompliance is not cured as soon as reasonably possible after notice by Landlord to Tenant, and in any event is not cured within 30 days after such notice. For purposes of this Section 20.1 (b), financial inability will not be deemed a reasonable ground for failure to immediately cure any breach of, or failure to comply with, the provisions of this Lease.

(c) **Nonoccupancy of Premises.** Tenant fails to occupy and use the Premises within 15 days after the Commencement Date or leaves substantially all of the Premises unoccupied for 15 consecutive days or vacates and abandons substantially all of the Premises.

(d) **Transfer of Interest without Consent.** Tenant's interest under this Lease or in the Premises is transferred or passes to, or devolves upon, any other party in violation of Section 15.

(e) **Execution and Attachment Against Tenant.** Tenant's interest under this Lease or in the Premises is taken upon execution or by other process of law directed against Tenant, or is subject to any attachment by any creditor or claimant against Tenant and such attachment is not discharged or disposed of within 15 days after levy.

(f) Bankruptcy or Related Proceedings. Tenant files a petition in bankruptcy or insolvency, or reorganization or arrangement under any bankruptcy or insolvency Laws, or voluntarily takes advantage of any such Laws by answer or otherwise, or dissolves or makes an assignment for the benefit of creditors, or involuntary proceedings under any such Laws or for the dissolution of Tenant are instituted against Tenant, or a receiver or trustee is appointed for the Premises or for all or substantially all of Tenant's property, and such proceedings are not dismissed or such receivership or trusteeship vacated within 60 days after such institution or appointment.

20.2 Remedies.

Time is of the essence. If any Default occurs, Landlord will have the right, at Landlord's election, then or at any later time, to exercise any one or more of the remedies described below. Exercise of any of such remedies will not prevent the concurrent or subsequent exercise of any other remedy provided for in this Lease or otherwise available to Landlord at law or in equity.

(a) Cure by Landlord. Landlord may, at Landlord's option but without obligation to do so, and without releasing Tenant from any obligations under this Lease, make any payment or take any action as Landlord deems necessary or desirable to cure any Default in such manner and to such extent as Landlord deems necessary or desirable. Landlord may do so without additional demand on, or additional written notice to, Tenant and without giving Tenant an additional opportunity to cure such Default. Tenant covenants and agrees to pay Landlord, upon demand, all advances, costs and expenses of Landlord in connection with making any such payment or taking any such action, including reasonable attorney's fees, together with interest at the rate described in Section 4.5, from the date of payment of any such advances, costs and expenses by Landlord.

(b) Repossession and Reletting. Landlord may, with due process of law, re-enter and take possession of all or any part of the Premises, without additional demand or notice, and repossess the same and expel Tenant and any party claiming by, through or under Tenant, and remove the effects of both using such force for such purposes as may be necessary, without being liable for prosecution for such action or being deemed guilty of any manner of trespass, and without prejudice to any remedies for arrears of Rent or right to bring any proceeding for breach of covenants or conditions. No such reentry or taking possession of the Premises by Landlord will be construed as an election by Landlord to terminate this Lease unless a written notice of such intention is given to Tenant. No notice from Landlord or notice given under a forcible entry and detainer statute or similar Laws will constitute an election by Landlord to terminate this Lease unless such notice specifically so states. Landlord reserves the right, following any reentry or reletting, to exercise its right to terminate this Lease by giving Tenant such written notice, in which event the Lease will terminate as specified in such notice. After recovering possession of the Premises, Landlord may, from time to time, but will not be obligated to, relet all or any part of the Premises for Tenant's account, for such term or terms and on such conditions and other terms as Landlord, in its discretion, determines. Landlord may make such repairs, alterations or improvements as Landlord considers appropriate to accomplish such reletting, and Tenant will reimburse Landlord upon demand for all costs and expenses, including attorneys' fees, which Landlord may incur in connection with such reletting. Landlord may collect and receive the rents for such reletting but Landlord will in no way be responsible or liable for any failure to relet the Premises or for any inability to collect any rent due upon such reletting. Regardless of Landlord's recovery of possession of the Premises, Tenant will continue to pay on the dates specified in this Lease, the Base Rent, Additional Rent and other Rent which would be payable if such repossession had not occurred, less a credit for the net amounts, if any, actually received by Landlord through any reletting of the Premises. Alternatively, at Landlord's option, Landlord will be entitled to recover from Tenant, as damages for loss of the bargain and not as a penalty, an aggregate sum equal to all unpaid Base Rent, Additional Rent and other Rent for any period prior to the repossession date (including interest from the due date to the date of the award at the rate described in Section 4.5), plus interest on the amount from the repossession date to the date of the award at the rate described in Section 4.5.

(c) Bankruptcy Relief. Nothing contained in this Lease will limit or prejudice Landlord's right to prove and obtain as liquidated damages in any bankruptcy, insolvency, receivership, reorganization or dissolution proceeding, an amount equal to the maximum allowable by any Laws governing such proceeding in effect at the time when such damages are to be proved, whether or not such amount be greater, equal or less than the amounts recoverable, either as damages or Rent, under this Lease.

21. LANDLORD'S DEFAULT AND TENANT'S REMEDIES.

21.1 Default.

If Tenant believes that Landlord has breached or failed to comply with any provision of this Lease applicable to Landlord, Tenant will give written notice to Landlord describing the alleged breach or noncompliance. Landlord will not be deemed in default under this Lease if Landlord cures the breach or noncompliance within 20 days after receipt of Tenant's notice or, if the same cannot reasonably be cured within such 20-day period, if Landlord in good faith commences to cure such breach or noncompliance within such period and then diligently pursues the cure to completion. Tenant will also send a copy of such notice to the holder of any Encumbrance of whom Tenant has been notified in writing, and such holder will also have the right to cure the breach or noncompliance within the period of time described above.

21.2 Remedies.

If Landlord breaches or fails to comply with any provision of this Lease applicable to Landlord, and such breach or noncompliance is not cured within the period of time described in Section 21.1, then Tenant may exercise any right or remedy available to Tenant at law or in equity, except to the extent expressly waived or limited by the terms of this Lease.

21.3 Cure by Encumbrance Holder.

If any act or omission by Landlord shall give Tenant the right, immediately or after the lapse of time, to cancel or terminate this Lease or to claim a partial or total eviction, Tenant shall not exercise any such right until (a) it shall have given written notice of such act or omission to each holder of any Encumbrance and (b) a reasonable period for remedying such act or omission shall have elapsed following such notice and following the time when such holder of an Encumbrance shall have become entitled under its Encumbrance to remedy the same (which shall in no event be less than the period to which Landlord would be entitled under this Lease to effect such remedy) provided such holder of an Encumbrance shall, with reasonable diligence, give Tenant notice of its intention to remedy such act or omission and shall commence and continue to act upon such intention.

22. SECURITY DEPOSIT.

INTENTIONALLY DELETED.

23. BROKERS.

Landlord and Tenant represent and warrant that no broker or agent negotiated or was instrumental in negotiating or consummating this Lease except the Brokers. Neither party knows of any other real estate broker or agent who is or might be entitled to a commission or compensation in connection with this Lease. Landlord will pay all fees, commissions or other compensation payable to the Brokers to be paid by Landlord according to Section 1.1(p) and Tenant will pay all fees, commissions or other compensation payable to the Brokers to be paid by Tenant according to Section 1.1(p). Tenant and Landlord will indemnify and hold each other harmless from all damages paid or incurred by the other resulting from any claims asserted against either party by brokers or agents claiming through the other party. Landlord's obligation under this Section 23 will survive the expiration or early termination of the Term.

24. LIMITATIONS ON LANDLORD'S LIABILITY.

Any liability for damages, breach or nonperformance by Landlord, or arising out of the subject matter of, or the relationship created by, this Lease, will be collectible only out of Landlord's interest in the Building and no personal liability is assumed by, or will at any time be asserted against, Landlord, its parent and affiliated corporations, its and their partners, venturers, directors, officers, agents, servants and employees, or any of its or their successors or assigns; all such liability, if any, being expressly waived and released by Tenant.

25. NOTICES.

All notices required or permitted under this Lease must be in writing and will only be deemed properly given and received (a) when actually given and received, if delivered in person to a party who acknowledges

receipt in writing; or (b) one business day after deposit with a private courier or overnight delivery service, if such courier or service obtains a written acknowledgment of receipt; or (c) 2 business days after deposit in the United States mails, certified or registered mail with return receipt requested and postage prepaid. All such notices must be transmitted by one of the methods described above to the party to receive the notice at, in the case of notices to Landlord, both Landlord's Building Address and Landlord's General Address, and in the case of notices to Tenant, the applicable Tenant's Notice Address, or, in either case, at such other address(es) as either party may notify the other of according to this Section 25. Time shall be of the essence for the giving of all notices required or permitted under the provisions of this Lease.

26. MISCELLANEOUS.

26.1 Binding Effect.

Each of the provisions of this Lease will extend to bind or inure to the benefit of, as the case may be, Landlord and Tenant, and their respective heirs, successors and assigns, provided this clause will not permit any transfer by Tenant contrary to the provisions of Section 15.

26.2 Complete Agreement; Modification.

All of the representations and obligations of the parties are contained in this Lease and no modification, waiver or amendment of this Lease or of any of its conditions or provisions will be binding upon a party unless in writing signed by such party.

26.3 Delivery For Examination.

Submission of the form of the Lease for examination will not bind Landlord in any manner, and no obligations will arise under this Lease until it is signed by both Landlord and Tenant and delivery is made to each.

26.4 No Air Rights.

This Lease does not grant any easements or rights for light, air or view. Any diminution or blockage of light, air or view by any structure or condition now or later erected will not affect this Lease or impose any liability on Landlord.

26.5 Enforcement Expenses.

Each party agrees to pay, upon demand, all of the other party's costs, charges and expenses, including the fees and out-of-pocket expenses of counsel, agents, and others retained, incurred in successfully enforcing the other party's obligations under this Lease. All obligations under this Section 26.5 will survive the expiration or early termination of the Term.

26.6 Building Planning.

INTENTIONALLY DELETED.

26.7 Building Name.

Tenant will not, without Landlord's consent, use Landlord's or the Building's name, or any facsimile or reproduction of the Building, for any purpose; except that Tenant may use the Building's name in the address of the business to be conducted by Tenant in the Premises. Landlord reserves the right, upon reasonable prior notice to Tenant, to change the name or address of the Building.

26.8 Building Standard.

The phrase "Building standard" will, in all instances, mean the type, brand and/or quality of materials Licensor designates from time to time to be the minimum quality to be used in the Building or the exclusive type, grade or quality of material to be used in the Building and the then-current standard described in Landlord's most recently published schedule of Building standard or, if no such schedule has been published, to the standard which commonly prevails in and for the entire Building.

26.9 No Waiver.

No waiver of any provision of this Lease will be implied by any failure of either party to enforce any remedy upon the violation of such provision, even if such violation is continued or repeated subsequently. No

express waiver will affect any provision other than the one specified in such waiver, and that only for the time and in the manner specifically stated.

26.10 Recording; Confidentiality.

Tenant will not record this Lease, or a short form memorandum, without Landlord's written consent and any such recording without Landlord's written consent will be a Default. Tenant agrees to keep the Lease terms, provisions and conditions confidential and will not disclose them to any other person without Landlord's prior written consent. However, Tenant may disclose Lease terms, provisions and conditions to Tenant's accountants, attorneys, managing employees and others in privity with Tenant, as reasonably necessary for Tenant's business purposes, without such prior consent.

26.11 Captions.

The captions of sections are for convenience only and will not be deemed to limit, construe, affect or alter the meaning of such sections.

26.12 Invoices.

All bills or invoices to be given by Landlord to Tenant will be sent to Tenant's Invoice Address. Tenant may change Tenant's Invoice Address by notice to Landlord given according to Section 25. If Tenant fails to give Landlord specific written notice of its objections within 60 days after receipt of any bill or invoice from Landlord, such bill or invoice will be deemed true and correct and Tenant may not later question the validity of such bill or invoice or the underlying information or computations used to determine the amount stated.

26.13 Severability.

If any provision of this Lease is declared void or unenforceable by a final judicial or administrative order, this Lease will continue in full force and effect, except that the void or unenforceable provision will be deemed deleted and replaced with a provision as similar in terms to such void or unenforceable provision as may be possible and be valid and enforceable.

26.14 Jury Trial.

Landlord and Tenant waive trial by jury in any action, proceeding or counterclaim brought by Landlord or Tenant against the other with respect to any matter arising out of or in connection with this Lease, Tenant's use and occupancy of the Premises, or the relationship of Landlord and Tenant. However, such waiver of jury trial will not apply to any claims for personal injury. If Landlord commences any summary or other proceeding for non-payment of rent or recovery of possession of the Premises, Tenant shall not interpose any counterclaim in any such proceeding, unless failure to raise same would constitute a waiver.

26.15 Authority To Bind.

The individuals signing this Lease on behalf of Landlord and Tenant represent and warrant that they are empowered and duly authorized to bind Landlord or Tenant, as the case may be, to this Lease according to its terms.

26.16 Only Landlord/Tenant Relationship.

Landlord and Tenant agree that neither any provision of this Lease nor any act of the parties will be deemed to create any relationship between Landlord and Tenant other than the relationship of landlord and tenant.

26.17 Covenants Independent.

The parties intend that this Lease be construed as if the covenant between Landlord and Tenant are independent and that the Rent will be payable without offset, reduction or abatement for any cause except as otherwise specifically provided in this Lease.

26.18 Governing Law.

This Lease will be governed by and construed according to the laws of the State of Tennessee

26.19 Enforcement Of Reasonable Consent.

Tenant hereby waives any claim against Landlord which it may have based upon any assertion that Landlord has unreasonably withheld or unreasonably delayed any consent or approval that, pursuant to the terms of this Lease, is not to be unreasonably withheld and Tenant agrees that its sole remedy shall be an action or proceeding to enforce any such provision or for specific performance, injunction or declaratory judgment. In

the event of such a determination, the requested consent or approval shall be deemed to have been granted; provided, however, that Landlord shall have no liability to Tenant for its refusal or failure to give such consent or approval and the sole remedy for Landlord's unreasonably withholding or delaying of consent or approval shall be as provided in this Section.

Having read and intending to be bound by the terms and provisions of this Lease, Landlord and Tenant have signed it as of the Date.

TENANT:

CEDAR CHEMICAL CORPORATION, a
Delaware corporation

By: _____
Printed Name: _____
Title: _____

By: _____
Printed Name: _____
Title: _____

LANDLORD:

TRIZECHAHN TBI CLARK TOWER LLC, a Delaware
limited liability company

By: _____
Printed Name: Robert R. Stubbs
Title: Assistant Secretary

By: _____
Printed Name: Stephen E. Budorick
Title: Vice President

STATE OF _____)
) ss.
COUNTY OF _____)

This Lease Agreement was acknowledged before me this _____ day of _____, 20____
by _____ as _____
and _____ as _____ of _____

WITNESS my hand and official seal.

Notary Public

My commission expires: _____.

STATE OF GEORGIA)
) ss.
COUNTY OF FULTON)

This Lease Agreement was acknowledged before me this _____ day of _____, 20____
by Robert R. Stubbs as Assistant Secretary of TrizecHahn TBI Clark Tower LLC.

WITNESS my hand and official seal.

Notary Public

My commission expires: _____.

STATE OF ILLINOIS)
) ss.
COUNTY OF COOK)

This Lease Agreement was acknowledged before me this _____ day of _____, 20____
by Stephen E. Budorick as Vice President of TrizecHahn TBI Clark Tower LLC.

WITNESS my hand and official seal.

Notary Public

My commission expires: _____.

**EXHIBIT A
CLARK TOWER
PLAN DELINEATING THE PREMISES**

EXHIBIT B
CLARK TOWER
RULES AND REGULATIONS

1. **Rights of Entry.** Tenant will have the right to enter the Premises at any time, but outside of Business Hours Tenant will be required to furnish proper and verifiable identification. Landlord will have the right to enter the Premises at all reasonable hours to perform janitorial services or clean windows; and also at any time during the last 3 months of the Term, with reasonable prior notice to Tenant, to show the Premises to prospective tenants.

2. **Right of Exclusion.** Landlord reserves the right to require each person entering the Building to sign a register and either (i) to present a Building pass, or (ii) to be announced to the tenant such person is visiting and to be accepted as a visitor by such tenant or to be otherwise properly identified. Landlord may exclude from the Building any person who cannot comply with such requirement. Landlord also reserves the right to require any person leaving the Building to sign a register or to surrender any special entry pass given to such person. If Landlord elects to exercise the rights reserved above, Landlord will furnish a Building pass to all persons designated by Tenant in writing. Finally, Landlord reserves the right to exclude or expel from the Building any person who, in Landlord's judgment, is intoxicated or under the influence of alcohol or drugs.

3. **Obstruction.** Tenant will not obstruct or place anything in or on the sidewalks or driveways outside the Building, or in the lobbies, corridors, stairwells or other Common Areas. Landlord may remove, at Tenant's expense, any such obstruction or thing without notice or obligation to Tenant.

4. **Refuse.** Tenant will place all refuse in the Premises in proper receptacles provided and paid for by Tenant, or in receptacles provided by Landlord for the Building, and will not place any litter or refuse on or in the sidewalks or driveways outside the Building, or the Common Areas, lobbies, corridors, stairwells, ducts or shafts of the Building.

5. **Public Safety.** Tenant will not throw anything out of doors, windows or skylights, down passageways or over walls. Tenant will not use any fire exits or stairways in the Building except in case of emergency.

6. **Keys; Locks.** Landlord may from time to time install and change locks on entrances to the Building, Common Areas and the Premises, and will provide Tenant a reasonable number of keys to meet Tenant's requirements. If Tenant desires additional keys, they will be furnished by Landlord and Tenant will pay a reasonable charge for them. Tenant will not add or change existing locks on any door in or to the Premises without Landlord's prior written consent. If with Landlord's consent, Tenant installs lock(s) incompatible with the Building master locking system:

(a) Landlord, without abatement of Rent, will be relieved of any obligation under the Agreement to provide any service that requires access to the affected areas:

(b) Tenant will indemnify Landlord against any expense as a result of forced entry to the affected areas which may be required in an emergency; and

(c) Tenant will, at the end of the Term and at Landlord's request, remove such lock(s) at Tenant's expense.

At the end of the Term, Tenant will promptly return to Landlord all keys for the Building and Premises, which are in Tenant's possession.

7. **Aesthetics.** Tenant will not attach any awnings, signs, displays or projections to the outside or inside walls or windows of the Building which are visible from outside the Premises without Landlord's prior written approval, which may be withheld in Landlord's sole discretion. Tenant will use only Building Standard lighting in areas where such lighting is visible from outside the Building.

8. Window Treatment. If Tenant desires to attach or hang any curtains, blinds, shades or screens to or in any window or door of the Premises, Tenant must obtain Landlord's prior written approval. Tenant will not coat or sunscreen the interior or exterior of any windows without Landlord's express written consent. Tenant will not place any objects on the windowsills that cause, in Landlord's reasonable opinion, an aesthetically unacceptable appearance.

9. Directory Boards. The Building office directory boards have a limited capacity; however, Landlord will make every reasonable effort to accommodate Tenant's requirements.

10. Building Control. Landlord reserves the right to control and operate the Common Areas as well as facilities furnished for the common use of tenants in such manner as Landlord deems best for the benefit of tenants generally. Landlord reserves the right to prevent access to the Building during an emergency by closing the doors or otherwise, for the safety of tenants and protection of the Building and property in the Building.

11. Engineering Consent. All plumbing, electrical and heating, ventilating and air conditioning ("HVAC") work for and in the Premises requires Landlord's prior written consent to maintain the integrity of the Building's electrical, plumbing and HVAC systems.

12. HVAC Operation. Tenant will not place objects or other obstructions on the HVAC convectors or diffusers and will not permit any other interference with the HVAC system. Whenever the HVAC system is operating, Tenant will cause the shades, blinds or other window coverings in the Premises to be drawn as reasonably required by the position of the sun.

13. Plumbing. Tenant will only use plumbing fixtures for the purpose for which they are constructed. Tenant will pay for all damages resulting from any misuse by Tenant or plumbing fixtures.

14. Equipment Location. Landlord reserves the right to specify where Tenant's Business machines, mechanical equipment and heavy objects will be placed in the Premises in order to best absorb and prevent vibration, noise and annoyance to other tenants, and to prevent damage to the Building. Tenant will pay the cost of any required professional engineering certification or assistance.

15. Bicycles; Animals. Tenant will not bring into, or keep about, the Premises any bicycles, vehicles, birds, animals (except seeing eye dogs) or organic Christmas decor of any kind. Bicycles and vehicles may only be parked in areas designated for such purpose.

16. Carpet Protection. In those portions of the Premises where carpet has been provided by Landlord, Tenant will at its own expense install and maintain pads to protect the carpet under all furniture having castors other than carpet castors.

17. Proper Conduct. Tenant will conduct itself in a manner, which is consistent with the character of the Building and will ensure that Tenant's conduct will not impair the comfort or convenience of other tenants in the Building.

18. Elevators. Any use of the elevators for purposes other than normal passenger use (such as moving to or from the Building or delivering freight), whether during or after Business Hours, must be scheduled through the office of the Property Manager. Tenant will reimburse Landlord for any extra costs incurred by Landlord in connection with any such non-passenger use of the elevators.

19. Deliveries. Tenant will ensure that deliveries of materials and supplies to the Premises are made through such entrances, elevators and corridors and at such times as may from time to time be reasonably designated by Landlord. Such deliveries may not be made through any of the main entrances to the Building without Landlord's prior permission. Tenant will use of cause to be used, in the Building, hand trucks or other conveyances equipped with rubber tires and rubber side guards to prevent damage to the Building or

property in the Building. Tenant will promptly pay Landlord the cost of repairing any damage to the Building caused by any person making deliveries to the Premises.

20. Moving. Tenant will ensure that furniture and equipment and other bulky matter being moved to or from the Premises are moved through such entrances, elevators and corridors and at such times as may from time to time be reasonably designated by Landlord, and by movers or a moving company reasonably approved by Landlord. Tenant will promptly pay Landlord the cost of repairing any damage to the Building caused by any person moving any such furniture, equipment or matter to or from the Premises.

21. Solicitations. Canvassing, soliciting and peddling in the Building are prohibited and Tenant will cooperate in preventing the same.

22. Food. Only persons approved from time to time by Landlord may prepare, solicit orders for, sell, serve or distribute food in or around the Building. Except as may be specified in the Agreement or on construction drawings for the Premises approved by Landlord, and except for microwave cooking, Tenant will not use the Premises for preparing or dispensing food, or soliciting of orders for sale, serving or distribution of food.

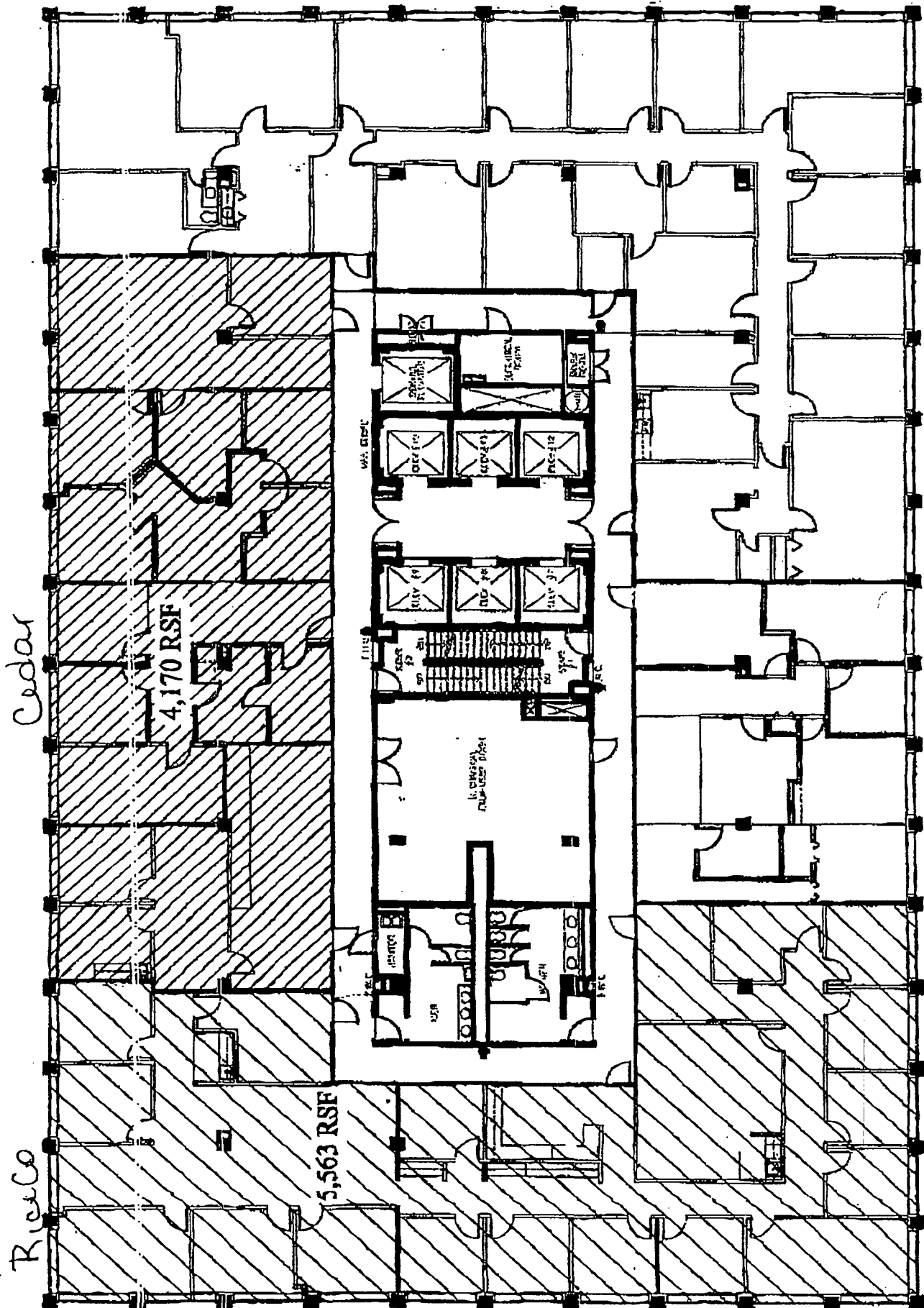
23. Parking Rules and Regulations. Tenant will comply with all reasonable rules and regulations applicable to the parking facilities serving the Building as determined by the parking facility operator.

24. Hazardous Substances. Except as may be expressly permitted by Landlord in writing, Tenant will not store, use, release, produce, process or dispose in, on or about, or transport to or from, the Premises, Building or Complex any Hazardous Substances, except for those substances normally used in business offices so long as same are not used or stored in violation of any applicable Laws. Landlord has disclosed to Tenant that the Building may contain asbestos containing material ("ACM"). Landlord has established an ACM management program that will govern all work in the Building that could disturb any ACM. Regardless of any provision of the Agreement to the contrary, Tenant will not undertake any work in the Premises that could disturb any ACM without first notifying Landlord of the proposed work and cooperating with Landlord to ensure that such work complies with Landlord's ACM program. Tenant agrees that its failure to comply with this Section 24 will constitute a material breach of the Agreement; however, such agreement will not be deemed to limit the materiality of any other Tenant breach of the Agreement for failure to comply with any other Rules and Regulations.

25. Employees, Agents and Invitees. In these Rules and Regulations Tenant includes Tenant's employees, agents, invitees, licensees and others permitted by Tenant to access, use or occupy the Premises.

26. Amendment of Rules and Regulations. Landlord reserves the right to rescind any of these rules and regulations and to make such other further rules and regulations as in its reasonable judgment shall from time to time be needed for the safety, protection, care and cleanliness of the Building or any other portion of the Property, the orderly management of the Building and/or the protection and comfort of the tenants and their agents, employees and invitees and, when made and written notice thereof is given to a tenant, shall be binding upon it in like manner as if originally herein prescribed. In the event of any conflict between these Rules and Regulations and the Agreement of which they are a part, the Agreement shall control.

27. Work Orders. Tenant requirements will be attended to only upon application to and approval by Landlord. Building employees shall not be requested to perform, and shall not be requested by any tenant to perform any work outside of regular duties, unless under specific instructions from Landlord.



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Frederick E. Schmidt, Esq. (FS-5277)

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

-----X

In re:

Chapter 11

CEDAR CHEMICAL CORPORATION and
VICKSBURG CHEMICAL COMPANY,

Case Nos. 02-11039 (SMB) and
02-11040 (SMB)

Debtors.

Jointly Administered

-----X

**APPLICATION FOR APPROVAL OF A SETTLEMENT OF A
CONTROVERSY ARISING OUT OF A 1995 RAILROAD TANK
CAR ACCIDENT PURSUANT TO BANKRUPTCY RULE 9019 AND
GRANTING RELATED RELIEF**

TO THE HONORABLE STUART M. BERNSTEIN,
CHIEF UNITED STATES BANKRUPTCY JUDGE:

Cedar Chemical Corporation ("Cedar") and Vicksburg Chemical Company ("Vicksburg"),
(collectively, "Debtors"), by their attorneys, Angel & Frankel, P.C., herein seek approval by the
Court of an agreement to settle a class action lawsuit pending in Louisiana and approximately 4,000
additional, individual claims pending in Mississippi arising out of a 1995 railroad tank car accident
in Bogalusa, Louisiana, including a partial repayment of a portion of the escrowed settlement fund
created in connection with this settlement and respectfully represent as follows:

INTRODUCTION

1. On March 8, 2002 (the "Petition Date"), each of the Debtors filed a voluntary petition for relief under Chapter 11 of Title 11, United States Code (the "Bankruptcy Code") with the United States Bankruptcy Court for the Southern District of New York.

2. No trustee has been appointed in the Debtors' cases (the "Chapter 11 Cases") and the Debtors are operating as debtors-in-possession under sections 1107 and 1108 of the Bankruptcy Code.

3. An official committee of unsecured creditors has been appointed and has retained the law firm of Satterlee Stephens Burke & Burke, LLP ("Creditors' Committee Counsel") to represent it.

4. By order dated March 8, 2002, the Chapter 11 Cases are being jointly administered.

5. This Court has jurisdiction over this matter pursuant to 28 U.S.C. §§ 157 and 1334. This is a core proceeding pursuant to 28 U.S.C. §§ 157(b)(2)(A) and (O).

6. Cedar was the owner of a chemical manufacturing facility located in West Helena, Arkansas (the "Cedar Plant" or "West Helena Plant"). Vicksburg, a wholly owned subsidiary of Cedar, was the owner of a chemical fertilizer manufacturing facility (the "Vicksburg Plant") located in Vicksburg, Mississippi. The West Helena Plant and Vicksburg Plant were abandoned by the Debtors pursuant to a stipulation "so ordered" by the Court on October 18, 2002.

7. The largest claims against the Debtors consist of the claims of the Debtors' pre-petition lenders (the "Lenders"), who hold liens and security interests against substantially all of the Debtors' assets. Since the Petition Date, the Debtors have sold a significant portion of their

inventory and have made payments to the Lenders of almost \$19,000,000. Despite these sales, the Debtors still owe the Lenders approximately \$64,328,000.

THE PREPETITION CLAIMS AND PRIOR SETTLEMENTS

A. The Toxic Chemical Release

8. In October 1995 a railroad tank car began to leak and then ruptured resulting in corrosive, toxic or hazardous materials entering into and upon the air, land and water in and around Bogalusa, Louisiana and surrounding areas, including portions of Mississippi (the "Chemical Release").

9. At the time of the Chemical Release the tank car was located at the plant of Gaylord Chemical Company ("Gaylord"), a customer of Vicksburg. The tank car contained nitrogen tetroxide (N_2O_4) that had been produced by Vicksburg, sold to Gaylord and loaded into the tank car by Vicksburg at the Vicksburg Plant.

10. Nitrogen tetroxide and its derivative compounds, nitric acid (HNO_3) and gaseous nitrogen dioxide (NO_2) are corrosive, toxic or hazardous to persons and property. The Chemical Release resulted in the mandatory evacuation of much of Bogalusa, Louisiana and many persons in the surrounding communities.

11. As described below, the Chemical Release resulted in the commencement of legal actions by thousands of plaintiffs in Mississippi and Louisiana against the Debtors. The claims made in the actions charge, among other things, (i) that the tank car into which the Debtors loaded the nitrogen tetroxide contained water and other contaminants, which resulted in a chemical reaction producing nitric acid and nitrogen dioxide which caused the leak and rupture of the tank car and (ii) that the Debtors negligently failed to inspect the tank car for such contaminants before loading the

nitrogen tetroxide. These claims also charge, among other things, that the Debtors failed to take proper action when they first learned of the leaking tank car, by among other things, failing to warn the appropriate federal, state and local authorities and failing to take the appropriate steps to mitigate the extent of the Chemical Release.

B. The Actions

12. On or about October 24, 1995 several actions were filed in the state court in Bogalusa, Louisiana purporting to be class actions arising out of the Chemical Release. Subsequently, approximately 146 actions were filed in the state court for the 22nd Judicial District, Washington Parish, Louisiana (the "Louisiana Court"). The Louisiana cases were consolidated in the Louisiana Court and certified as a class action (the "Louisiana Class Action" or "Class Action"). The class is estimated to contain more than 16,000 claimants (the "Louisiana Class" or "Class"). Vicksburg, Cedar, Trans-Resources, Inc. ("TRI")¹ and certain of their affiliates (hereinafter referred to collectively as the "Compromising Parties") were included among the defendants in the Louisiana Class Action.

13. In addition to the Louisiana Class Action, 10 separate actions naming an aggregate of approximately 4,000 plaintiffs (the "Mississippi Plaintiffs") were filed in the Circuit Court of Hinds County, Mississippi naming, among the defendants, Vicksburg, Cedar and TRI. These actions (the "Mississippi Actions") were consolidated and the claims of the Mississippi Plaintiffs were to be tried *seriatim* in groups of approximately 20 plaintiffs. Among other defendants included in the Louisiana Class Action and in the Mississippi Actions are Gaylord and its parent corporation,

¹ TRI is the parent company of Nine West Inc., which in turn is Cedar's parent company. Vicksburg is Cedar's wholly-owned subsidiary.

Gaylord Container Corporation; Union Tank Car Company (the owner of the tank car); Illinois Central Railroad Company (a railroad involved in transporting the tank car to Gaylord's plant) and Kansas City Southern Railway Company (another railroad involved in transporting the tank car to Gaylord's plant).

14. The Louisiana Class Action and the Mississippi Actions (collectively, the "Actions") were tendered to liability insurance carriers for the Compromising Parties for defense and indemnification. In all instances, the insurance coverage was TRI's with the named insureds including TRI and its affiliates. Certain of the carriers denied coverage. The Debtors then commenced an action in the Louisiana Court against the insurance carriers seeking a declaratory judgment that they were entitled to defense costs and indemnification with respect to these claims. As discussed below, two of those insurers (National Union Fire Insurance Company of Pittsburgh, Pa and Steadfast Insurance Company) are parties to conditional settlements arrived at between the Louisiana Class, the Mississippi Plaintiffs and the Compromising Parties.

15. The trial of the initial group of plaintiffs in the Mississippi Actions commenced in September 1998. As discussed more fully below, the Compromising Parties had previously settled the claims of the initial 20 plaintiffs in connection with their entry into the Mississippi Conditional Agreement to Settle during August 1998. Therefore, none of the Compromising Parties participated in the trial of that action, even though the jury was directed to determine Vicksburg's percentage fault, if any. The jury found Vicksburg in that case to be 50% responsible for the Chemical Release, but awarded no damages.

C. **The Original Settlement Agreements**

16. Beginning in late 1997 and continuing through the summer of 1998, counsel to the plaintiffs in the Actions (the "Plaintiffs") and the Compromising Parties, engaged in protracted negotiations. In late August 1998, these negotiations culminated in the entry into a (i) Louisiana Conditional Agreement to Settle by the Louisiana Class through the Plaintiff's Liaison Committee which had been appointed by the Court ("PLC") and the Compromising Parties, and (ii) Mississippi Conditional Agreement to Settle by the Mississippi Plaintiffs and the Compromising Parties (collectively, the "Conditional Agreements to Settle"). Under these settlements all controversies, claims and litigation arising out of the Chemical Release against the Compromising Parties and the Settling Insurers (as defined below) were to be resolved. In 1998 the settlement was recorded as liability on the books and records of the Debtors.

D. **The First Amended Agreements to Settle**

17. Due to business and financial difficulties encountered by Vicksburg, Cedar and TRU the Conditional Agreements to Settle entered into in August 1998 were amended and restated on about March 22, 1999 (the "First Amended Agreements to Settle") to provide, among other things, the Compromising Parties with additional time to make the settlement payments contemplated by the Conditional Agreements to Settle.

18. The First Amended Agreements to Settle (the Louisiana and Mississippi agreements are virtually identical) provided, in pertinent part, that the Compromising Parties were to pay in several installments the aggregate sum of \$32 million plus (i) approximately \$4.6 million, which is the amount that one of the Settling Insurers paid to or on behalf of the Compromising Parties for reimbursement of defense costs (the "Defense Depletion Amount"), (ii) approximately \$400,000 that

the Compromising Parties agreed to contribute to the Class settlement (the "Hartford Settlement Amount), which is a portion of the settlement payment received from the Hartford Fire Insurance Company ("Hartford) in its capacity as an insurer of the Compromising Parties, and (iii) interest payments on \$17 million, as described below.

19. The initial \$10 million installment was paid by TRI into a temporary escrow account set up for that purpose on August 31, 1998. These funds were later transferred to another escrow account (the "Preliminary Escrow Account) which, pursuant to the terms of the Conditional Agreement to Settle, had been established to hold the money in escrow until the settlements were either finalized or terminated.

20. A further installment of \$5 million was paid by TRI into the Preliminary Escrow Account on March 31, 1999.

21. The remaining installments aggregating \$17 million were to be paid into the Preliminary Escrow Account as follows: (i) \$6.8 million on December 31, 2000; (ii) \$5.1 million on June 30, 2001; and (iii) \$5.1 million on December 31, 2001. None of these payments were made.

22. Interest was to accrue at the rate of 6.25% per annum, commencing on April 1, 1999, on that portion of the \$17 million that was not deposited into the Preliminary Escrow Account, and was to be paid on the following dates: (i) September 30, 1999; (ii) January 31, 2000; (iii) June 30, 2000; (iv) September 30, 2000; (v) December 31, 2000; (vi) June 30, 2001; and (vii) December 31, 2001. Only the first three interest payments were made by TRI.

23. National Union Fire Insurance Company of Pittsburgh, PA ("National Union) and Steadfast Insurance Company ("Steadfast) were parties to the First Amended Agreement to Settle in their capacities as insurers of the Compromising Parties (collectively, the "Settling Insurers), and

on or about April 1, 1999, National Union and Steadfast paid into the Preliminary Escrow Account approximately \$20.4 million, which represented the full policy proceeds under the policies which they had issued to TRI and its affiliated companies, less the Defense Depletion Amount which had previously been paid under the National Union policy.

24. The Compromising Parties agreed to assign to the Plaintiffs their rights under their remaining insurance coverage, which at the time amounted to approximately \$26 million, if the settlements were finalized.

E. Conditional Nature of First Amended Agreements to Settle

25. The First Amended Agreements were subject to various conditions:

(a) The funds on deposit in the Preliminary Escrow Account (including earned interest), less those sums needed to fund contingency escrow accounts, were to be transferred to sub-accounts within the Preliminary Escrow Account which were to be used to fund the settlements of both of the Actions, after the occurrence of the following conditions: (a) (i) Plaintiffs' counsel must have obtained the required settlements, indemnifications and releases, from all Plaintiffs who are not in the Class because they have opted out (e.g., the Mississippi Plaintiffs have opted out of the Louisiana Class) or fall outside of the definition of the Louisiana Class (collectively the "Opt-Outs") or (ii) the Compromising Parties have agreed to go forward with the settlement without such settlements, indemnifications and releases from the Opt-Outs; and (b) the Louisiana Court has given its preliminary approval of the settlement respecting the Louisiana Class.

(b) If the Compromising Parties failed to timely make the required deposits into the Preliminary Escrow Account and such failure was not cured within a reasonable time (at least 30 days) after notice, the Plaintiffs' sole remedy was to terminate the settlement.

(c) The Compromising Parties retained the right to terminate the settlement and the Compromising Parties and the Settling Insurers could recover the amounts deposited in the escrow account plus earned interest, less the \$2.5 million that was to be paid (whether the settlement was finalized or terminated) to the initial group of 20 trial plaintiffs in the Mississippi actions (the "Fixed Mississippi Settlement Amount"), if any of the following conditions, among others, were not satisfied: (i) the claims of all of the Opt-Outs (including the Mississippi Plaintiffs that opted-out) are settled; (ii) the Louisiana courts give final approval to the settlement with the Louisiana Class; and (iii) all Louisiana Class members and all Opt-Outs agree to reduce judgments against non-settling defendants to the extent necessary to eliminate all cross claims and claims for contribution or indemnity against the Compromising Parties and to indemnify the Compromising Parties against all such claims and cross claims.

(d) If all the conditions were not met or waived and the settlement terminated, the parties would revert to their respective positions before the settlement was entered into, the litigations would resume and the monies deposited in escrow plus earned interest (less escrow fees and authorized charges) would be returned to the entities which contributed those monies except only that the Fixed Mississippi Settlement Amount would be paid within 30 days after the later of the Compromising Parties' receipt of a demand for such payment or the return of the escrowed amounts to TRI and the Settling Insurers.

F. **Status of First Amended Agreement to Settle Upon the Commencement of the Chapter 11 Cases.**

26. As of June 30, 2000, TRI had deposited approximately \$16.23 million (including certain interest payments) into the Preliminary Escrow Account and the Settling Insurers had

deposited approximately \$20.4 million into the Preliminary Escrow Account. Due to the worsening business and financial problems experienced by the Compromising Parties, no further deposits into the Preliminary Escrow Account were made by TRI, the Debtors or any other Compromising Party after the deposit of the interest due on June 30, 2000.

27. In addition, in connection with the pre-petition loans made to the Debtors by their pre-petition lenders (the "Lenders"), an agreement was executed on or about April 23, 1999, entitled the "Parent Capital Contribution Agreement", which required that if any payments were made by either of the Debtors in connection with the foregoing settlement, TRI was to reimburse the Debtors for such payments.

28. In addition, the Westchester Fire Insurance Company ("Westchester") and the CIGNA Insurance Company ("CIGNA") in their capacities as insurers of the Compromising Parties, have deposited into a separate escrow account the limits of the insurance policies (aggregating \$16 million) which they issued to TRI and its affiliated companies; these payments were made pursuant and subject to a separate agreement entered into by the PLC on behalf of the Louisiana Class and Westchester and Cigna.

THE SECOND AMENDED AGREEMENTS TO SETTLE

G. The Second Renegotiation of the Settlement Agreements

29. TRI, Vicksburg and Cedar continued to face severe business and financial problems and were unable to make any further installment payments contemplated by the First Amended Agreement to Settle.

30. After the commencement of the Chapter 11 Cases, the following competing claims were made to the funds in the Preliminary Escrow Account:

(a) The Lenders claimed that the funds in the Preliminary Escrow Account constituted property of the Debtors' estates, since they were paid into the account by TRI on behalf of and pursuant to an obligation to the Debtors. As a result, the Lenders claimed that they were entitled to such funds pursuant to, and as a result of, their security interest in substantially all of the Debtors' assets.

(b) TRI maintained that since it provided all of the funds currently on deposit in the Preliminary Escrow Account, the funds belonged to it. Thus, the Lenders and TRI both maintained that all money in the Preliminary Escrow Account belonged to each of them, including funds deposited by the Settling Insurers.

(c) The Plaintiffs alleged that none of the funds in the Preliminary Escrow Account are assets of the bankruptcy estates of the Debtors and, if any such funds are assets of the Debtors, that none of the insurance funds are subject to any security interest nor may such insurance funds be used for any purpose other than paying insured claims.

H. The Second Amended Agreements to Settle

31. In order to avoid the need to resolve approximately 20,000 claims against the Debtors, the extensive litigation that would ensue with respect to entitlement to the funds in the Preliminary Escrow Account, and the myriad factual, legal and jurisdictional issues raised thereby, after extensive negotiations among counsel for the Plaintiffs counsel for TRI, bankruptcy counsel for the Debtors, and counsel for the Lenders, the parties to the First Amended Agreements to Settle, through their counsel, have agreed to enter into further amended and restated settlement agreements (the "Second Amended Agreements to Settle") upon the entry of an order of the Bankruptcy Court authorizing the Debtors to enter into and perform such agreements, subject to such order becoming final.

32. The Second Amended Agreements to Settle (the Louisiana and Mississippi agreements are virtually identical) generally incorporate the material terms and conditions of the First Amended Agreements to Settle except that they also provide that:

(a) the Compromising Parties are relieved of all obligations to make any further payments into the Preliminary Escrow Account, including all such payments that were to have been made after June 30, 2000, which payments would have aggregated approximately \$23.1 million.

(b) after Bankruptcy Court approval of the settlements, a portion of the funds deposited into the Preliminary Escrow Account by TRI will be distributed (and thereby further reduce the amount of the settlement proceeds being paid on behalf of the Compromising Parties) as follows: (i) \$3.025 million will be paid to the Agent for the Secured Lenders of the Debtors on account of their security interest in substantially all of the assets of the Debtors, including but not limit to, Vicksburg and Cedar's contractual rights to a return of the funds deposited into the Preliminary Escrow Account, (ii) \$2.475 million will be repaid to TRI, and (iii) the remaining funds in the Preliminary Escrow Account will be paid in accordance with the terms of the agreement;

(c) Vicksburg and Cedar will receive releases from the Plaintiffs;

(d) The Debtors expressly retain and reserve the protections afforded by the automatic stay provisions of Section 362 of the Bankruptcy Code except to the extent required for the consummation of the settlement; and

(e) the Bankruptcy Court will retain exclusive jurisdiction over any controversy involving the Debtors.

I. Conditions and Events that Must Be Satisfied or Occur to Conclude the Settlement

33. The following are the major, material outstanding conditions and events that must be satisfied or occur to conclude the settlement:

(a) the Bankruptcy Court must approve the Second Amended Agreements to Settle (this is the only condition required to be satisfied before the payments totaling \$5.5 million to the Agent and TRI referenced in paragraph 32(b) above are made) and that approval must become final;

(b) the Plaintiffs must obtain binding commitments for the release and dismissal of all claims of the Opt-Outs, such releases and dismissals to include: (i) a requirement that each Opt-Out defend and indemnify the Compromising Parties, the Settling Insurers, Hartford and certain other parties from and against any and all claims by or deriving from the claims of that Opt-Out and any and all claims for contribution, indemnity or subrogation derived from such claims; (ii) a requirement that each Opt-Out not attempt to execute or to collect any judgment against one or more non-settling parties to the extent or in a manner that the execution or collection of the judgment or any portion thereof would create in the judgment debtor any right to recover from any of the Compromising Parties, the Settling Insurers, Hartford and certain other parties; and (iii) requiring that each Opt-Out reduce or satisfy any judgment that it or they may obtain against a non-settling defendant to the extent necessary to extinguish any claims for contribution, indemnity or subrogation by such non-settling defendant against any of the Compromising Parties, the Settling Insurers, Hartford and certain other parties; and (b) if any of the foregoing conditions are not satisfied the Compromising Parties can (i) terminate the settlement or (ii) elect to go forward with the settlement provided that a sum mutually acceptable to the Compromising Parties and counsel for the Class is

transferred to a sub-account within the Preliminary Escrow Account to pay any such claims;

(c) a sum mutually acceptable to the Compromising Parties and counsel for the Class must be transferred to a sub-account within the Preliminary Escrow Account to pay certain other claims and defense costs;

(d) the settlement with the Class must be submitted to the Louisiana Court for preliminary approval;

(e) a determination must be made regarding allocation of the settlement funds between the Plaintiffs who are members of the Louisiana Class and the Mississippi Plaintiffs, and those respective amounts will be transferred to sub-accounts established within the Preliminary Escrow Account to hold such amounts; and

(f) the Louisiana Court must conduct a fairness hearing respecting the Class settlement and must determine that the settlement is adequate and fair and enter a Final Order and Judgment, *inter alia*: (i) approving the Class settlement; (ii) dismissing the Class Action against the Compromising Parties, the Settling Insurers, Hartford and certain other parties; (iii) releasing the Compromising Parties, the Settling Insurers, Hartford and certain other parties from any and all claims; (iv) enjoining the commencement by any non-settling party of any and all claims for contribution, indemnity, and/or subrogation against any of the Compromising Parties, the Settling Insurers, Hartford and certain other parties; (v) requiring that each member of the Class defend and indemnify the Compromising Parties, the Settling Insurers, Hartford and certain other parties from and against any and all claims by or deriving from the claims of that member of the Class and any and all claims for contribution, indemnity or subrogation derived from such claims; (vi) requiring that the members of the Class not attempt to execute or to collect any judgment against one or more

of the non-settling defendants to the extent or in a manner that the execution or collection of the judgment or any portion thereof would create in the judgment debtor any right to recover from any of the Compromising Parties, the Settling Insurers, Hartford and certain other parties; and (vii) requiring that the members of the Class reduce or satisfy any judgment that it or they may obtain against a non-settling defendant to the extent necessary to extinguish any claims for contribution, indemnity or subrogation by such non-settling party against any of the Compromising Parties, the Settling Insurers, Hartford and certain other parties.

34. This description identifies only the salient provisions of the Second Amended Agreements to Settle and interested parties are directed to the full texts contained in Exhibits "C" and "D" annexed hereto.

LEGAL STANDARD FOR BANKRUPTCY COURT APPROVAL OF SETTLEMENT

35. Bankruptcy Rule 9019(a) states as follows:

(a) Compromise. On a motion by the trustee and after notice and a hearing, the court may approve a compromise or settlement. Notice shall be given to creditors, the United States trustee, the debtor, and indenture trustees as provided in Rule 2002 and to any other entity as the court may direct.

36. A debtor-in-possession's "judgment concerning ... [a] proposed compromise and settlement is entitled to some deference. In re Media Central Inc., 190 B.R. 316, 321 (E.D. Tenn. 1994).

37. In deciding whether to approve a settlement, a bankruptcy judge is not expected to substitute its judgment for that of the debtor. In re Carla Leather, Inc., 44 B.R. 457, 465 (Bankr. S.D.N.Y. 1984), aff'd, 50 B.R. 764 (S.D.N.Y. 1985).

38. Instead, a bankruptcy court's role is to "canvass the issues and see whether the settlement 'fall[s] below the lowest point in the range of reasonableness. In re W.T. Grant Co., 699 F.2d 599, 608 (2nd Cir. 1983).

39. This lenient standard is reflective of a broader policy of fostering settlements in bankruptcy in order to avoid burdening a debtor's estate with the costs, delays and uncertainty of litigation. In re Drexel Burnham Lambert Group, Inc., 138 B.R. 723, 758 (Bankr. S.D.N.Y. 1992).

40. The approval of a compromise should not be overturned unless there has been plain error or a clear abuse of discretion, E.g., In re Teltronics Services, Inc., 762 F. 2d 185, 189 (2nd Cir. 1985).

41. In determining whether a settlement is appropriate, a bankruptcy court should consider such factors as (i) the likelihood of success in the litigation, (ii) the complexity, expense and duration of the litigation, (iii) the difficulties of collecting any judgment, (iv) and any other factors relevant to the wisdom of the settlement. E.g. Media Central, Inc., 190 B.R. at 320.

42. It is clear that the settlement is of enormous benefit to the Debtors' estates.

43. The Chapter 11 cases will be spared the burden of addressing approximately 20,000 Plaintiffs' claims, numerous claims for contribution by co-defendants and difficult issues of insurance coverage.

44. The secured claim of the Lenders against the Debtors will be reduced by more than \$3 million.

45. Finally, the Debtors will receive releases for Plaintiffs' claims which total hundreds of millions of dollars in the aggregate.

NOTICE

46. In order for the settlement with the Plaintiffs to move forward it is necessary that the Louisiana Court grant preliminary approval to this settlement. If such preliminary approval is granted, notice will be sent to all members of the Class advising them of a subsequent "fairness hearing at which time final approval of the settlement may be granted.

47. The initial Louisiana Conditional Agreement to Settle was first agreed upon almost four years ago, but subsequent events required further negotiations and revisions. During this intervening period, the Plaintiffs have reached settlements with various other of the defendants in the Class Action. All of these agreements, provided they are complete, are to be placed before the Louisiana Court at the preliminary hearing.

48. The preliminary hearing in the Class Action , which has been adjourned on several prior occasions, due, in part, to the Debtors' bankruptcy and the renegotiation of the Conditional Agreement to Settle, is scheduled for December 17, 2002. It is believed that the Louisiana Court will not be agreeable to any further adjournments and that it is that Court's desire that only one notice describing the various settlements be transmitted to the members of the Class in preparation of the "fairness hearing.

49. The Second Amended Conditional Agreement to settle and the "Preliminary Settlement Agreements require that the order issued by the Bankruptcy Court become a final order before the agreements are executed by the attorneys for the Plaintiffs. This requirement adds at least another ten days to the process; more, if the last day falls on a weekend. Consequently, the years of efforts in negotiating the Debtors' settlements with the Plaintiffs are now threatened by the time constraints inherent in the complex approval process.

50. Bankruptcy Rule 2002 provides that unless otherwise directed by a court, a motion for settlement of a controversy is to be served upon all creditors on "at least 20 days' notice by mail. Bankruptcy Rule 2002(a). Given the critical time constraints described above, it is respectfully requested that the notice period on the Application be reduced to two week with service by overnight mail or personal delivery, so as to insure that the necessary steps may be taken prior to the preliminary hearing before the Louisiana Court on December 17, 2002.

51. The Debtors intend to serve a copy of the Scheduling Order and this Application by overnight mail at least two weeks prior to the hearing upon (a) Val P. Exnicios, Esq. of Liska, Exnicios & Nungesser and Frank C. Dudenheffer, Jr., Esq. of Cummings, Cummings, Dudenheffer & Martin for the Mississippi Plaintiffs, (b) Gerald E. Meunier, Esq. of Gainsburgh, Benjamin, David, Meunier & Warshauer, Calvin C. Fayard, Jr., Esq. of Fayard & Honeycutt, James S. Farmer, Esq. of Farmer & Cheatham, Daniel E. Becnel, Jr., Esq., Reginald J. Laurent, Esq, Stephen B. Murray, Esq. and Ronnie G. Penton, Esq. for the PLC, (c) counsel to TRI, (d) National Union Fire Insurance Company of Pittsburgh, PA, (e) Steadfast Insurance Company, (f) CIGNA Insurance Company (g) Hartford Fire Insurance Company (h) Reliance Insurance Company (i) Westchester Fire Insurance Company (i) Creditors' Committee Counsel, (j) counsel to the agent for the Lenders, (k) the Office of the United States Trustee and (l) all entities which have filed (and served on Debtors' counsel) a notice of appearance and request for papers in these Chapter 11 Cases.

52. Given the voluminous size of the exhibits annexed to the application (i.e., more than 1,000 pages), the Debtors intend to include only a copy of Exhibit "B (the proposed form of order) and Exhibit "C (the Louisiana Conditional Agreement to Settle, but without exhibits) to the parties

being provided with notice of the Application, other than Creditors Committee Counsel to whom a full set will be provided.

53. Given the large size of the Debtors' creditor body, the voluminous size of the exhibits and the exigent circumstances described above, the Debtors respectfully submit that the proposed manner of notice set forth above and in the proposed Scheduling Order be found by the Court to satisfy the requirements of Bankruptcy Rules 2002 and 9019.

WHEREFORE, it is respectfully requested that the Court enter the Scheduling Order and a further order substantially in the form annexed hereto as Exhibit "B" authorizing the Debtors to enter into the Second Amended Agreements to Settle, and that the Court grant the Debtors such other and further relief as it deems just and proper.

Dated: New York, New York
November 12, 2002

ANGEL & FRANKEL, P.C.
Attorneys for Cedar Chemical Corporation and
Vicksburg Chemical Corporation
Debtors and Debtors-in-Possession

By: /s/ Joshua J. Angel

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DEBTOR'S MONTHLY REPORTING PACKAGE
FOR THE MONTH ENDING APRIL 30, 2002

Cedar Chemical Corporation
(Name of Debtor)

02-11039
(Case Number)

Angel & Frankel, P.C.
(Debtor's Attorneys)

/s/ Yehuda Yoked
Signed by:

Yehuda Yoked, Chief Executive Officer

Cedar Chemical Corporation
(Operating as Debtor-In-Possession)
Condensed Consolidated Balance Sheet
(Unaudited)
(Dollars in thousands)

April 30, 2002

Assets

Cash & cash equivalents	\$ 4,158
Receivables (net of allowance for doubtful accounts)	8,411
Inventory	6,819
Prepaid expenses and other current assets	5,082
Total current assets	<u>24,470</u>

Property plant and equipment, net	16,081
Investment in subsidiary	8,906
Investment in joint venture	4,637
Other assets	7,428
Total assets	<u>\$ 61,522</u>

Liabilities

Accounts payable and accrued expenses	\$ 621
Liabilities subject to compromise (see note B)	66,218
Total liabilities	<u>66,839</u>

Equity

Common stock	4,655
Additional paid in capital	33,324
Accumulated deficit	(41,100)
Additional minimum pension liability	(2,196)
Total stockholders' equity	<u>(5,317)</u>
Total liabilities & equity	<u>\$ 61,522</u>

Note: These financial statements have not been prepared on a liquidation basis. Certain accounts have been adjusted with estimates for reconciliations that are in process.

Cedar Chemical Corporation
(Operating as Debtor-in-Possession)
Condensed Consolidated Statement of Operations
(Unaudited)
(Dollars in thousands)

	Month Ending April 30, 2002
Net Sales	\$ 1,632
Cost of sales	1,586
Gross Margin	<u>46</u>
Selling, general and administrative expenses	<u>444</u>
Loss from operations	(398)
Interest expense	<u>5</u>
Loss before income taxes	(403)
Income tax expense	<u>-</u>
Net loss	<u><u>\$ (403)</u></u>

Note: These financial statements have not been prepared on a liquidation basis. Certain accounts have been adjusted with estimates for reconciliations that are in process.

Cedar Chemical Corporation
(Operating as Debtor-In-Possession)
Condensed Consolidated Statement of Cash Flows
(Unaudited)
(Dollars in thousands)

	Month Ending April 30, 2002
Cash flows from operating activities:	
Net loss	\$ (403)
Adjustments to reconcile net (loss) to net cash provided by operating activities:	
Depreciation and Amortization	200
Changes in current assets and current liabilities, cash flow provided by (used in):	
Receivables	1,001
Inventories	2,069
Other assets	(2,068)
Accounts payable, accrued expenses and other current liabilities	(1,476)
Net cash used by operating activities	<u>(677)</u>
Cash flows from investing activities:	
Proceeds from sale of assets	<u>-</u>
Net cash provided by investing activities	<u>-</u>
Cash flows from financing activities:	
Reduction of long-term debt	<u>-</u>
Net cash (used in) financing activities	<u>-</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(677)
Cash and cash equivalents – beginning of period	4,835
CASH AND CASH EQUIVALENTS – END OF PERIOD	<u>\$ 4,158</u>

Note: These financial statements have not been prepared on a liquidation basis. Certain accounts have been adjusted with estimates for reconciliations that are in process.

Cedar Chemical Corporation
(Operating as Debtor-In-Possession)
Notes to Condensed Consolidated Financial Statements
April 30, 2002

(Note A) - PROCEEDINGS UNDER CHAPTER 11 AND BASIS OF PRESENTATION:

Unaudited Interim Financial Information

Cedar Chemical Corporation (the "Company" or the "Debtor") filed a petition for relief under Chapter 11 of the United States Bankruptcy Code ("Chapter 11") on March 8, 2002 (the "Filing Date" or "Petition Date"). The Company is presently operating its business as a debtor-in-possession subject to the jurisdiction of the United States Bankruptcy Court for the Southern District of New York (the "Bankruptcy Court").

The unaudited consolidated financial statements of the Company have been prepared in accordance with the American Institute of Certified Public Accountants Statement of Position 90-7: "Financial Reporting by Entities in Reorganization Under the Bankruptcy Code" ("SOP 90-7") and generally accepted accounting principles applicable to a going concern, which principles, except as otherwise disclosed, assume that assets will be realized and liabilities will be discharged in the normal course of business. However, the Debtor is in the process of liquidating the business and the financial statements have not been adjusted to reflect the value of its remaining assets and liabilities based on a liquidation value of such assets and liabilities.

Except as set forth herein, the unaudited consolidated balance sheet as of April 30, 2002 and the unaudited consolidated statements of operations and cash flows for the month ended April 30, 2002 ("Interim Financial Information") have generally been prepared on the same basis as the audited financial statements.

In the opinion of the Company, the interim financial information includes all adjustments, consisting of normal recurring adjustments, necessary for a fair statement of the results of the interim period, except that the Company has not adjusted the carrying value of its assets and liabilities to reflect the liquidation value of its remaining assets and liabilities. The Interim Financial Information includes adjustments to certain liability and asset accounts to reflect estimated balances of such accounts as of March 31, 2002; reconciliation of these accounts are ongoing. Adjustments, if any, required as a result of management's reconciliation of these accounts would be reflected on subsequent Interim Financial Information submitted to the Bankruptcy Court.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted from the Interim Financial Information. These statements should be read in conjunction with the Company's financial statements for the year ended December 31, 2001 and 2000. The results for the month ended April 30, 2002 may not be indicative of the operating results for any future period.

The Company experienced significant operating losses in 2000 and 2001. As a result of these operating losses and the likely prospect of continued losses, the Company concluded that the liquidation of its business was the only viable alternative.

At the time of the filing, the Company requested and received authority to use certain proceeds from the liquidation of assets secured under the Company's senior credit facility to fund the

Cedar Chemical Corporation
(Operating as Debtor-In-Possession)
Notes to Condensed Consolidated Financial Statements
April 30, 2002

liquidation process. This interim use of cash collateral agreement is subject to the Company meeting certain forecasted disbursement levels and is subject to a final cash collateral hearing.

The Company maintains a cash management system for its subsidiary Vicksburg Chemical Company ("Vicksburg"), and as a result on a daily basis Vicksburg transfers its receipts to Cedar. This transfer is recorded as an intercompany payable, which is included in "Liabilities subject to compromise" on Cedar's balance sheet.

NOTE B – Liabilities and Chapter 11 Filing

In the Chapter 11 case, substantially all liabilities as of the Filing Date are subject to compromise or other treatment under a plan of reorganization to be confirmed by the Bankruptcy Court after submission to any required vote by the Debtor's creditors and stockholders. Generally, all actions to enforce or otherwise effect repayment of pre-Chapter 11 liabilities as well as all pending litigation against the Debtor are stayed while the Debtor continues its business operations as a debtor-in-possession.

The principal categories of claims classified, as "Liabilities Subject to Compromise" are trade accounts payable, accrued expenses, certain payables to affiliated companies and Cedar's secured credit facility.

The accompanying Interim Financial Information has been prepared on a going concern basis which, except as disclosed, contemplates continuity of operations, realization of assets and discharge of liabilities in the ordinary course of business. The Company has sold, or is in the process of selling or otherwise disposing of substantially all of its assets. The Company believes it is unlikely that there will be sufficient recoveries to make a distribution to unsecured creditors. As a result, these financial statements may be subject to material change. The financial statements do not give effect to all adjustments to the carrying value of assets, or amounts and classification of liabilities that might be necessary as a consequence of the liquidation of the business.

Valuation methods used in Chapter 11 reorganization cases vary depending on the purpose for which they are prepared and used and are rarely based on generally accepted accounting principles, the basis on which the accompanying Interim Financial Information are prepared. The Debtor has not adjusted the values of its remaining assets and liabilities to reflect the projected liquidation value of such assets and liabilities. Accordingly, the values used in the accompanying Interim Financial Information may be significantly higher than the value received by the debtor from the liquidation of its assets. As a result, valuations of the Company based on the accompanying Interim Financial Information may be significantly higher than valuations used by the Company in determining the amounts to be received, if any, by each class of creditors.

Cedar Chemical Corporation
(Operating as Debtor-In-Possession)
Insurance
(Unaudited)
April 30, 2002

All premiums for insurance policies, including all applicable workers compensation and disability insurance policies with respect to the period subsequent to the Petition Date have been paid when due.

Cedar Chemical Corporation
(Operating as Debtors-In-Possession)
Schedule of Professional Fee Payments
(Unaudited)

The Company made the following payments to professionals during the month of April 2002:

Marotta Gund Budd and Dzera - \$172,233

Angel and Frankel, P.C. - \$95,232

**Cedar Chemical Corporation
Schedule of Payroll and Taxes
(Operating as Debtor-In-Possession)
(Unaudited)**

Amounts noted below relate to the period 4/1/02 – 4/30/02

1. Gross Payroll - \$262,108
2. Payroll Taxes withheld - \$62,655
3. Employer Payroll Taxes Incurred - \$18,579
4. Gross Taxable Sales - \$0
5. Sales Tax Collected - \$0
6. Property Tax Payable - \$166,005
7. Other Taxes – Use Tax Payable - \$11,106
8. Date Payroll Taxes Paid –

DEBTOR'S MONTHLY REPORTING PACKAGE
FOR THE MONTH ENDING JUNE 30, 2002

Cedar Chemical Corporation
(Name of Debtor)

02-11039
(Case Number)

Angel & Frankel, P.C.
(Debtor's Attorneys)

/s/ Yehuda Yoked
Signed by:

Yehuda Yoked, Chief Executive Officer

Cedar Chemical Corporation
(Operating as Debtor-In-Possession)
Condensed Consolidated Balance Sheet
(Unaudited)
(Dollars in thousands)

June 30, 2002

Assets

Cash & cash equivalents	\$ 5,530
Receivables (net of allowance for doubtful accounts)	5,796
Inventory	3,994
Prepaid expenses and other current assets	29,804
Total current assets	<u>45,124</u>
Property plant and equipment, net	15,681
Investment in subsidiary	8,906
Investment in joint venture	5,288
Other assets	7,305
Total assets	<u>\$ 82,304</u>

Liabilities

Accounts payable and accrued expenses	\$ 962
Liabilities subject to compromise (see note B)	89,419
Total liabilities	<u>90,381</u>

Equity

Common stock	4,655
Additional paid in capital	33,324
Accumulated deficit	(43,860)
Additional minimum pension liability	(2,196)
Total stockholders' equity	<u>(8,077)</u>
Total liabilities & equity	<u>\$ 82,304</u>

Note: These financial statements have not been prepared on a liquidation basis.

Cedar Chemical Corporation
(Operating as Debtor-in-Possession)
Condensed Consolidated Statement of Operations
(Unaudited)
(Dollars in thousands)

	Month Ending June 30, 2002
Net Sales	\$ 599
Cost of sales	1,953
Gross Margin	<u>(1,354)</u>
Selling, general and administrative expenses	<u>759</u>
Loss from operations	(2,113)
Interest expense	<u>3</u>
Loss before income taxes	(2,116)
Income tax expense	<u>-</u>
Net loss	<u><u>\$ (2,116)</u></u>

Note: These financial statements have not been prepared on a liquidation basis.

Cedar Chemical Corporation
(Operating as Debtor-In-Possession)
Condensed Consolidated Statement of Cash Flows
(Unaudited)
(Dollars in thousands)

	Month Ending June 30, 2002
Cash flows from operating activities:	
Net loss	\$ (2,116)
Adjustments to reconcile net (loss) to net cash provided by operating activities:	
Depreciation and Amortization	300
Changes in current assets and current liabilities, cash flow provided by (used in):	
Receivables	1,878
Inventories	1,373
Other assets	1,912
Accounts payable, accrued expenses and other current liabilities	(636)
Net cash provided by operating activities	<u>2,711</u>
Cash flows from investing activities:	
Proceeds from sale of assets	<u>-</u>
Net cash provided by investing activities	<u>-</u>
Cash flows from financing activities:	
Reductions to long-term debt	<u>(1,888)</u>
Net cash (used in) financing activities	<u>(1,888)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	823
Cash and cash equivalents – beginning of period	4,707
CASH AND CASH EQUIVALENTS – END OF PERIOD	<u><u>\$ 5,530</u></u>

Note: These financial statements have not been prepared on a liquidation basis.

Cedar Chemical Corporation
(Operating as Debtor-In-Possession)
Notes to Condensed Consolidated Financial Statements
June 30, 2002

(Note A) - PROCEEDINGS UNDER CHAPTER 11 AND BASIS OF PRESENTATION:

Unaudited Interim Financial Information

Cedar Chemical Corporation (the "Company" or the "Debtor") filed a petition for relief under Chapter 11 of the United States Bankruptcy Code ("Chapter 11") on March 8, 2002 (the "Filing Date" or "Petition Date"). The Company is presently operating its business as a debtor-in-possession subject to the jurisdiction of the United States Bankruptcy Court for the Southern District of New York (the "Bankruptcy Court").

The unaudited consolidated financial statements of the Company have been prepared in accordance with the American Institute of Certified Public Accountants Statement of Position 90-7: "Financial Reporting by Entities in Reorganization Under the Bankruptcy Code" ("SOP 90-7") and generally accepted accounting principles applicable to a going concern, which principles, except as otherwise disclosed, assume that assets will be realized and liabilities will be discharged in the normal course of business. However, the Debtor is in the process of liquidating the business and the financial statements have not been adjusted to reflect the value of its remaining assets and liabilities based on a liquidation value of such assets and liabilities.

Except as set forth herein, the unaudited consolidated balance sheet as of June 30, 2002 and the unaudited consolidated statements of operations and cash flows for the month ended June 30, 2002 ("Interim Financial Information") have generally been prepared on the same basis as the audited financial statements.

In the opinion of the Company, the interim financial information includes all adjustments, consisting of normal recurring adjustments, necessary for a fair statement of the results of the interim period, except that the Company has not adjusted the carrying value of its assets and liabilities to reflect the liquidation value of its remaining assets and liabilities. The Interim Financial Information includes adjustments to certain liability and asset accounts to reflect estimated balances of such accounts as of June 30, 2002; reconciliation of these accounts are ongoing. Adjustments, if any, required as a result of management's reconciliation of these accounts would be reflected on subsequent Interim Financial Information submitted to the Bankruptcy Court.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted from the Interim Financial Information. These statements should be read in conjunction with the Company's financial statements for the year ended December 31, 2001 and 2000. The results for the month ended June 30, 2002 may not be indicative of the operating results for any future period.

The Company experienced significant operating losses in 2000 and 2001. As a result of these operating losses and the likely prospect of continued losses, the Company concluded that the liquidation of its business was the only viable alternative.

At the time of the filing, the Company requested and received authority to use certain proceeds from the liquidation of assets secured under the Company's senior credit facility to fund the

Cedar Chemical Corporation
(Operating as Debtor-In-Possession)
Notes to Condensed Consolidated Financial Statements
June 30, 2002

liquidation process. This interim use of cash collateral agreement is subject to the Company meeting certain forecasted disbursement levels and is subject to a final cash collateral hearing.

The Company maintains a cash management system for its subsidiary Vicksburg Chemical Company ("Vicksburg"), and as a result on a daily basis Vicksburg transfers its receipts to Cedar. This transfer is recorded as an intercompany payable, which is included in "Liabilities subject to compromise" on Cedar's balance sheet.

NOTE B – Liabilities and Chapter 11 Filing

In the Chapter 11 case, substantially all liabilities as of the Filing Date are subject to compromise or other treatment under a plan of reorganization to be confirmed by the Bankruptcy Court after submission to any required vote by the Debtor's creditors and stockholders. Generally, all actions to enforce or otherwise effect repayment of pre-Chapter 11 liabilities as well as all pending litigation against the Debtor are stayed while the Debtor continues its business operations as a debtor-in-possession.

The principal categories of claims classified, as "Liabilities Subject to Compromise" are trade accounts payable, accrued expenses, certain payables to affiliated companies and Cedar's secured credit facility.

The accompanying Interim Financial Information has been prepared on a going concern basis which, except as disclosed, contemplates continuity of operations, realization of assets and discharge of liabilities in the ordinary course of business. The Company has sold, or is in the process of selling or otherwise disposing of substantially all of its assets. The Company believes it is unlikely that there will be sufficient recoveries to make a distribution to unsecured creditors. As a result, these financial statements may be subject to material change. The financial statements do not give effect to all adjustments to the carrying value of assets, or amounts and classification of liabilities that might be necessary as a consequence of the liquidation of the business.

Valuation methods used in Chapter 11 reorganization cases vary depending on the purpose for which they are prepared and used and are rarely based on generally accepted accounting principles, the basis on which the accompanying Interim Financial Information are prepared. The Debtor has not adjusted the values of its remaining assets and liabilities to reflect the projected liquidation value of such assets and liabilities. Accordingly, the values used in the accompanying Interim Financial Information may be significantly higher than the value received by the debtor from the liquidation of its assets. As a result, valuations of the Company based on the accompanying Interim Financial Information may be significantly higher than valuations used by the Company in determining the amounts to be received, if any, by each class of creditors.

Cedar Chemical Corporation
(Operating as Debtor-In-Possession)
Insurance
(Unaudited)
June 30, 2002

All premiums for insurance policies, including all applicable workers compensation and disability insurance policies with respect to the period subsequent to the Petition Date have been paid when due.

Cedar Chemical Corporation
(Operating as Debtors-In-Possession)
Schedule of Professional Fee Payments
(Unaudited)

The Company made the following payments to professionals during the month of June 2002:

Marotta Gund Budd and Dzera - \$161,605

Angel and Frankel, P.C. - \$171,651

Satterlee Stephens Burke & Burke - \$166,554

Executive Sounding Board - \$17,904

Alvarez & Marsal, Inc. - \$26,896

**Cedar Chemical Corporation
Schedule of Payroll and Taxes
(Operating as Debtor-In-Possession)
(Unaudited)**

Amounts noted below relate to the period 6/1/02 – 6/30/02

1. Gross Payroll - \$202,318
2. Payroll Taxes withheld - \$52,475
3. Employer Payroll Taxes Incurred - \$14,090
4. Gross Taxable Sales - \$0
5. Sales Tax Collected - \$0
6. Property Tax Payable - \$166,005
7. Other Taxes – Use Tax Payable - \$11,106
8. Date Payroll Taxes Paid –
 - Withholding taxes 6/10/02 - \$6,654
 - Withholding taxes 6/17/02 - \$3,452
 - Withholding taxes 6/28/02 - \$36,625
 - Withholding taxes 7/10/02 - \$5,744
 - Employer taxes 6/10/02 - \$2,247
 - Employer taxes 6/17/02 - \$1,515
 - Employer taxes 6/28/02 - \$10,328

DEBTOR'S MONTHLY REPORTING PACKAGE
FOR THE MONTH ENDING JULY 31, 2002

Cedar Chemical Corporation
(Name of Debtor)

02-11039
(Case Number)

Angel & Frankel, P.C.
(Debtor's Attorneys)

/s/ Yehuda Yoked
Signed by:

Yehuda Yoked, Chief Executive Officer

Cedar Chemical Corporation
(Operating as Debtor-In-Possession)
Condensed Consolidated Balance Sheet
(Unaudited)
(Dollars in thousands)

July 31, 2002

Assets

Cash & cash equivalents	\$ 3,308
Receivables (net of allowance for doubtful accounts)	5,069
Inventory	3,034
Prepaid expenses and other current assets	28,181
Total current assets	<u>39,592</u>
Property plant and equipment, net	15,381
Investment in subsidiary	8,906
Investment in joint venture	5,288
Other assets	6,442
Total assets	<u>\$ 75,609</u>

Liabilities

Accounts payable and accrued expenses	\$ 1,156
Liabilities subject to compromise (see note B)	85,578
Total liabilities	<u>86,734</u>

Equity

Common stock	4,655
Additional paid in capital	33,324
Accumulated deficit	(46,908)
Additional minimum pension liability	(2,196)
Total stockholders' equity	<u>(11,125)</u>
Total liabilities & equity	<u>\$ 75,609</u>

Note: These financial statements have not been prepared on a liquidation basis.

Cedar Chemical Corporation
(Operating as Debtor-in-Possession)
Condensed Consolidated Statement of Operations
(Unaudited)
(Dollars in thousands)

	Month Ending July 31, 2002
Net Sales	\$ 448
Cost of sales	2,619
Gross Margin	<u>(2,171)</u>
Selling, general and administrative expenses	<u>1,116</u>
Loss from operations	(3,287)
Interest expense	<u>-</u>
Loss before income taxes	(3,287)
Income tax refund	<u>239</u>
Net loss	<u><u>\$ (3,048)</u></u>

Note: These financial statements have not been prepared on a liquidation basis.

Cedar Chemical Corporation
(Operating as Debtor-In-Possession)
Condensed Consolidated Statement of Cash Flows
(Unaudited)
(Dollars in thousands)

	Month Ending July 31, 2002
Cash flows from operating activities:	
Net loss	\$ (3,048)
Adjustments to reconcile net (loss) to net cash provided by operating activities:	
Depreciation and Amortization	300
Changes in current assets and current liabilities, cash flow provided by (used in):	
Receivables	727
Inventories	960
Other assets	2,486
Accounts payable, accrued expenses and other current liabilities	270
Net cash provided by operating activities	<u>1,695</u>
Cash flows from investing activities:	
Proceeds from sale of assets	-
Net cash provided by investing activities	<u>-</u>
Cash flows from financing activities:	
Reductions to long-term debt	<u>(3,917)</u>
Net cash (used in) financing activities	<u>(3,917)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(2,222)
Cash and cash equivalents – beginning of period	5,530
CASH AND CASH EQUIVALENTS – END OF PERIOD	<u><u>\$ 3,308</u></u>

Note: These financial statements have not been prepared on a liquidation basis.

Cedar Chemical Corporation
(Operating as Debtor-In-Possession)
Notes to Condensed Consolidated Financial Statements
July 31, 2002

(Note A) - PROCEEDINGS UNDER CHAPTER 11 AND BASIS OF PRESENTATION:

Unaudited Interim Financial Information

Cedar Chemical Corporation (the "Company" or the "Debtor") filed a petition for relief under Chapter 11 of the United States Bankruptcy Code ("Chapter 11") on March 8, 2002 (the "Filing Date" or "Petition Date"). The Company is presently operating its business as a debtor-in-possession subject to the jurisdiction of the United States Bankruptcy Court for the Southern District of New York (the "Bankruptcy Court").

The unaudited consolidated financial statements of the Company have been prepared in accordance with the American Institute of Certified Public Accountants Statement of Position 90-7: "Financial Reporting by Entities in Reorganization Under the Bankruptcy Code" ("SOP 90-7") and generally accepted accounting principles applicable to a going concern, which principles, except as otherwise disclosed, assume that assets will be realized and liabilities will be discharged in the normal course of business. However, the Debtor is in the process of liquidating the business and the financial statements have not been adjusted to reflect the value of its remaining assets and liabilities based on a liquidation value of such assets and liabilities.

Except as set forth herein, the unaudited consolidated balance sheet as of July 31, 2002 and the unaudited consolidated statements of operations and cash flows for the month ended July 31, 2002 ("Interim Financial Information") have generally been prepared on the same basis as the audited financial statements.

In the opinion of the Company, the interim financial information includes all adjustments, consisting of normal recurring adjustments, necessary for a fair statement of the results of the interim period, except that the Company has not adjusted the carrying value of its assets and liabilities to reflect the liquidation value of its remaining assets and liabilities. The Interim Financial Information includes adjustments to certain liability and asset accounts to reflect estimated balances of such accounts as of July 31, 2002; reconciliation of these accounts are ongoing. Adjustments, if any, required as a result of management's reconciliation of these accounts would be reflected on subsequent Interim Financial Information submitted to the Bankruptcy Court.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted from the Interim Financial Information. These statements should be read in conjunction with the Company's financial statements for the year ended December 31, 2001 and 2000. The results for the month ended July 31, 2002 may not be indicative of the operating results for any future period.

The Company experienced significant operating losses in 2000 and 2001. As a result of these operating losses and the likely prospect of continued losses, the Company concluded that the liquidation of its business was the only viable alternative.

At the time of the filing, the Company requested and received authority to use certain proceeds from the liquidation of assets secured under the Company's senior credit facility to fund the

Cedar Chemical Corporation
(Operating as Debtor-In-Possession)
Notes to Condensed Consolidated Financial Statements
July 31, 2002

liquidation process. This interim use of cash collateral agreement is subject to the Company meeting certain forecasted disbursement levels and is subject to a final cash collateral hearing.

The Company maintains a cash management system for its subsidiary Vicksburg Chemical Company ("Vicksburg"), and as a result on a daily basis Vicksburg transfers its receipts to Cedar. This transfer is recorded as an intercompany payable, which is included in "Liabilities subject to compromise" on Cedar's balance sheet.

NOTE B – Liabilities and Chapter 11 Filing

In the Chapter 11 case, substantially all liabilities as of the Filing Date are subject to compromise or other treatment under a plan of reorganization to be confirmed by the Bankruptcy Court after submission to any required vote by the Debtor's creditors and stockholders. Generally, all actions to enforce or otherwise effect repayment of pre-Chapter 11 liabilities as well as all pending litigation against the Debtor are stayed while the Debtor continues its business operations as a debtor-in-possession.

The principal categories of claims classified, as "Liabilities Subject to Compromise" are trade accounts payable, accrued expenses, certain payables to affiliated companies and Cedar's secured credit facility.

The accompanying Interim Financial Information has been prepared on a going concern basis which, except as disclosed, contemplates continuity of operations, realization of assets and discharge of liabilities in the ordinary course of business. The Company has sold, or is in the process of selling or otherwise disposing of substantially all of its assets. The Company believes it is unlikely that there will be sufficient recoveries to make a distribution to unsecured creditors. As a result, these financial statements may be subject to material change. The financial statements do not give effect to all adjustments to the carrying value of assets, or amounts and classification of liabilities that might be necessary as a consequence of the liquidation of the business.

Valuation methods used in Chapter 11 reorganization cases vary depending on the purpose for which they are prepared and used and are rarely based on generally accepted accounting principles, the basis on which the accompanying Interim Financial Information are prepared. The Debtor has not adjusted the values of its remaining assets and liabilities to reflect the projected liquidation value of such assets and liabilities. Accordingly, the values used in the accompanying Interim Financial Information may be significantly higher than the value received by the debtor from the liquidation of its assets. As a result, valuations of the Company based on the accompanying Interim Financial Information may be significantly higher than valuations used by the Company in determining the amounts to be received, if any, by each class of creditors.

Cedar Chemical Corporation
(Operating as Debtor-In-Possession)
Insurance
(Unaudited)
July 31, 2002

All premiums for insurance policies, including all applicable workers compensation and disability insurance policies with respect to the period subsequent to the Petition Date have been paid when due.

**Cedar Chemical Corporation
(Operating as Debtors-In-Possession)
Schedule of Professional Fee Payments
(Unaudited)**

The Company made the following payments to professionals during the month of July 2002:

Marotta Gund Budd and Dzera - \$158,548

Cedar Chemical Corporation
Schedule of Payroll and Taxes
(Operating as Debtor-In-Possession)
(Unaudited)

Amounts noted below relate to the period 7/1/02 – 7/31/02

1. Gross Payroll - \$193,456
2. Payroll Taxes withheld - \$52,003
3. Employer Payroll Taxes Incurred - \$14,353
4. Gross Taxable Sales - \$0
5. Sales Tax Collected - \$0
6. Property Tax Payable - \$166,005
7. Other Taxes – Use Tax Payable - \$11,106
8. Date Payroll Taxes Paid –
 - Withholding taxes 7/15/02 - \$26,475
 - Withholding taxes 7/26/02 - \$13,135
 - Withholding taxes 7/29/02 - \$3,014
 - Withholding taxes 8/7/02 - \$9,379
 - Employer taxes 7/15/02 - \$9,283
 - Employer taxes 7/26/02 - \$5,070

DEBTOR'S MONTHLY REPORTING PACKAGE
FOR THE MONTH ENDING SEPTEMBER 30, 2002

Cedar Chemical Corporation
(Name of Debtor)

02-11039
(Case Number)

Angel & Frankel, P.C.
(Debtor's Attorneys)

/s/ Yehuda Yoked
Signed by:

Yehuda Yoked, Chief Executive Officer

Cedar Chemical Corporation
(Operating as Debtor-In-Possession)
Condensed Consolidated Balance Sheet
(Unaudited)
(Dollars in thousands)

September 30, 2002

Assets

Cash & cash equivalents	\$ 2,838
Receivables (net of allowance for doubtful accounts)	3,517
Inventory	407
Prepaid expenses and other current assets	27,425
Total current assets	<u>34,187</u>
Property plant and equipment, net	14,781
Investment in subsidiary	8,906
Investment in joint venture	5,288
Other assets	6,442
Total assets	<u>\$ 69,604</u>

Liabilities

Accounts payable and accrued expenses	\$ 1,231
Liabilities subject to compromise (see note B)	84,716
Total liabilities	<u>85,947</u>

Equity

Common stock	4,655
Additional paid in capital	33,324
Accumulated deficit	(52,126)
Additional minimum pension liability	(2,196)
Total stockholders' equity	<u>(16,343)</u>
Total liabilities & equity	<u>\$ 69,604</u>

Note: These financial statements have not been prepared on a liquidation basis.

Cedar Chemical Corporation
(Operating as Debtor-in-Possession)
Condensed Consolidated Statement of Operations
(Unaudited)
(Dollars in thousands)

	Month Ending September 30, 2002
Net Sales	\$ 37
Cost of sales	698
Gross Margin	<u>(661)</u>
Selling, general and administrative expenses	<u>1,076</u>
Loss from operations	(1,737)
Interest expense	-
Loss before income taxes	<u>(1,737)</u>
Income tax refund	-
Net loss	<u><u>\$ (1,737)</u></u>

Note: These financial statements have not been prepared on a liquidation basis.

Cedar Chemical Corporation
(Operating as Debtor-In-Possession)
Condensed Consolidated Statement of Cash Flows
(Unaudited)
(Dollars in thousands)

	Month Ending September 30, 2002
Cash flows from operating activities:	
Net loss	\$ (1,737)
Adjustments to reconcile net (loss) to net cash provided by operating activities:	
Depreciation and Amortization	300
Changes in current assets and current liabilities, cash flow provided by (used in):	
Receivables	1,166
Inventories	233
Other assets	331
Accounts payable, accrued expenses and other current liabilities	(132)
Net cash provided by operating activities	<u>161</u>
Cash flows from investing activities:	
Proceeds from sale of assets	<u>-</u>
Net cash provided by investing activities	<u>-</u>
Cash flows from financing activities:	
Reductions to long-term debt	<u>-</u>
Net cash (used in) financing activities	<u>-</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	161
Cash and cash equivalents – beginning of period	2,677
CASH AND CASH EQUIVALENTS – END OF PERIOD	<u>\$ 2,838</u>

Note: These financial statements have not been prepared on a liquidation basis.

Cedar Chemical Corporation
(Operating as Debtor-In-Possession)
Notes to Condensed Consolidated Financial Statements
September 30, 2002

(Note A) - PROCEEDINGS UNDER CHAPTER 11 AND BASIS OF PRESENTATION:

Unaudited Interim Financial Information

Cedar Chemical Corporation (the "Company" or the "Debtor") filed a petition for relief under Chapter 11 of the United States Bankruptcy Code ("Chapter 11") on March 8, 2002 (the "Filing Date" or "Petition Date"). The Company is presently operating its business as a debtor-in-possession subject to the jurisdiction of the United States Bankruptcy Court for the Southern District of New York (the "Bankruptcy Court").

The unaudited consolidated financial statements of the Company have been prepared in accordance with the American Institute of Certified Public Accountants Statement of Position 90-7: "Financial Reporting by Entities in Reorganization Under the Bankruptcy Code" ("SOP 90-7") and generally accepted accounting principles applicable to a going concern, which principles, except as otherwise disclosed, assume that assets will be realized and liabilities will be discharged in the normal course of business. However, the Debtor is in the process of liquidating its business and the financial statements have not been adjusted to reflect the value of its remaining assets and liabilities based on a liquidation value of such assets and liabilities.

Except as set forth herein, the unaudited consolidated balance sheet as of September 30, 2002 and the unaudited consolidated statements of operations and cash flows for the month ended September 30, 2002 ("Interim Financial Information") have generally been prepared on the same basis as the audited financial statements.

In the opinion of the Company, the interim financial information includes all adjustments, consisting of normal recurring adjustments, necessary for a fair statement of the results of the interim period, except that the Company has not adjusted the carrying value of its assets and liabilities to reflect the liquidation value of its remaining assets and liabilities. The Interim Financial Information includes adjustments to certain liability and asset accounts to reflect estimated balances of such accounts as of September 30, 2002; reconciliation of these accounts are ongoing. Adjustments, if any, required as a result of management's reconciliation of these accounts would be reflected on subsequent Interim Financial Information submitted to the Bankruptcy Court.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted from the Interim Financial Information. These statements should be read in conjunction with the Company's financial statements for the year ended December 31, 2001 and 2000. The results for the month ended September 30, 2002 may not be indicative of the operating results for any future period.

The Company experienced significant operating losses in 2000 and 2001. As a result of these operating losses and the likely prospect of continued losses, the Company concluded that the liquidation of its business was the only viable alternative.

At the time of the filing, the Company requested and received authority to use certain proceeds from the liquidation of assets secured under the Company's senior credit facility to fund the

Cedar Chemical Corporation
(Operating as Debtor-In-Possession)
Notes to Condensed Consolidated Financial Statements
September 30, 2002

process of mothballing the manufacturing facility and winding-down the operations. This interim use of cash collateral agreement is subject to the Company meeting certain forecasted disbursement levels and was approved as the final cash collateral order in August 2002.

The Company maintains a cash management system for its subsidiary Vicksburg Chemical Company ("Vicksburg"), and as a result on a daily basis Vicksburg transfers its receipts to Cedar. This transfer is recorded as an intercompany payable, which is included in "Liabilities subject to compromise" on Cedar's balance sheet.

NOTE B – Liabilities and Chapter 11 Filing

In the Chapter 11 case, substantially all liabilities as of the Filing Date are subject to compromise or other treatment under a plan of reorganization to be confirmed by the Bankruptcy Court after submission to any required vote by the Debtor's creditors and stockholders. Generally, all actions to enforce or otherwise effect repayment of pre-Chapter 11 liabilities as well as all pending litigation against the Debtor are stayed while the Debtor continues its business operations as a debtor-in-possession.

The principal categories of claims classified, as "Liabilities Subject to Compromise" are trade accounts payable, accrued expenses, certain payables to affiliated companies and Cedar's secured credit facility.

The accompanying Interim Financial Information has been prepared on a going concern basis which, except as disclosed, contemplates continuity of operations, realization of assets and discharge of liabilities in the ordinary course of business. The Company has sold, or is in the process of selling or otherwise disposing of substantially all of its assets. Due to limited interest in its facility, the Company filed a motion to abandon its manufacturing plant located in West Helena, Arkansas. This motion was approved in October 2002 and consequently the Company no longer manages the West Helena facility. The Company believes it is unlikely that there will be sufficient recoveries to make a distribution to unsecured creditors. As a result, these financial statements may be subject to material change. The financial statements do not give effect to all adjustments to the carrying value of assets, or amounts and classification of liabilities that might be necessary as a consequence of the liquidation of the business.

Valuation methods used in Chapter 11 reorganization cases vary depending on the purpose for which they are prepared and used and are rarely based on generally accepted accounting principles, the basis on which the accompanying Interim Financial Information are prepared. The Debtor has not adjusted the values of its remaining assets and liabilities to reflect the projected liquidation value of such assets and liabilities. Accordingly, the values used in the accompanying Interim Financial Information may be significantly higher than the value received by the debtor from the liquidation of its assets. As a result, valuations of the Company based on the accompanying Interim Financial Information may be significantly higher than valuations used by the Company in determining the amounts to be received, if any, by each class of creditors.

Cedar Chemical Corporation
(Operating as Debtor-In-Possession)
Insurance
(Unaudited)
September 30, 2002

All premiums for insurance policies, including all applicable workers compensation and disability insurance policies with respect to the period subsequent to the Petition Date have been paid when due.

Cedar Chemical Corporation
(Operating as Debtors-In-Possession)
Schedule of Professional Fee Payments
(Unaudited)

The Company made the following payments to professionals during the month of September 2002:

Marotta Gund Budd and Dzera - \$161,143

Angel and Frankel, P.C. - \$130,803

Satterlee Stephens Burke & Burke - \$65,054

Executive Sounding Board - \$21,210

Davis Polk & Wardwell - \$182,125

Burch Porter & Johnson - \$12,221

Cedar Chemical Corporation
Schedule of Payroll and Taxes
(Operating as Debtor-In-Possession)
(Unaudited)

Amounts noted below relate to the period 9/1/02 -- 9/30/02

1. Gross Payroll - \$79,589
2. Payroll Taxes withheld - \$19,204
3. Employer Payroll Taxes Incurred - \$4,879
4. Gross Taxable Sales - \$0
5. Sales Tax Collected - \$0
6. Property Tax Payable - \$166,005
7. Other Taxes – Use Tax Payable - \$0
8. Date Payroll Taxes Paid –
 - Withholding taxes 9/9/02 - \$2,164
 - Withholding taxes 9/20/02 - \$2,173
 - Withholding taxes 9/26/02 - \$12,691
 - Withholding taxes 10/15/02 - \$2,176
 - Employer taxes 9/9/02 - \$909
 - Employer taxes 9/20/02 - \$912
 - Employer taxes 9/26/02 - \$3,058

DEBTOR'S MONTHLY REPORTING PACKAGE
FOR THE MONTH ENDING APRIL 30, 2002

Cedar Chemical Corporation
(Name of Debtor)

02-11039
(Case Number)

Angel & Frankel, P.C.
(Debtor's Attorneys)

/s/ Yehuda Yoked
Signed by:

Yehuda Yoked, Chief Executive Officer

Cedar Chemical Corporation
(Operating as Debtor-In-Possession)
Condensed Consolidated Balance Sheet
(Unaudited)
(Dollars in thousands)

April 30, 2002

Assets

Cash & cash equivalents	\$ 4,158
Receivables (net of allowance for doubtful accounts)	8,411
Inventory	6,819
Prepaid expenses and other current assets	5,082
Total current assets	<u><u>24,470</u></u>
Property plant and equipment, net	16,081
Investment in subsidiary	8,906
Investment in joint venture	4,637
Other assets	7,428
Total assets	<u><u>\$ 61,522</u></u>

Liabilities

Accounts payable and accrued expenses	\$ 621
Liabilities subject to compromise (see note B)	66,218
Total liabilities	<u><u>66,839</u></u>

Equity

Common stock	4,655
Additional paid in capital	33,324
Accumulated deficit	(41,100)
Additional minimum pension liability	(2,196)
Total stockholders' equity	<u><u>(5,317)</u></u>
Total liabilities & equity	<u><u>\$ 61,522</u></u>

Note: These financial statements have not been prepared on a liquidation basis. Certain accounts have been adjusted with estimates for reconciliations that are in process.

Cedar Chemical Corporation
(Operating as Debtor-in-Possession)
Condensed Consolidated Statement of Operations
(Unaudited)
(Dollars in thousands)

	Month Ending <u>April 30, 2002</u>
Net Sales	\$ 1,632
Cost of sales	<u>1,586</u>
Gross Margin	<u>46</u>
Selling, general and administrative expenses	<u>444</u>
Loss from operations	(398)
Interest expense	<u>5</u>
Loss before income taxes	(403)
Income tax expense	<u>-</u>
Net loss	<u><u>\$ (403)</u></u>

Note: These financial statements have not been prepared on a liquidation basis. Certain accounts have been adjusted with estimates for reconciliations that are in process.

Cedar Chemical Corporation
(Operating as Debtor-In-Possession)
Condensed Consolidated Statement of Cash Flows
(Unaudited)
(Dollars in thousands)

	Month Ending April 30, 2002
Cash flows from operating activities:	
Net loss	\$ (403)
Adjustments to reconcile net (loss) to net cash provided by operating activities:	
Depreciation and Amortization	200
Changes in current assets and current liabilities, cash flow provided by (used in):	
Receivables	1,001
Inventories	2,069
Other assets	(2,068)
Accounts payable, accrued expenses and other current liabilities	(1,476)
Net cash used by operating activities	<u>(677)</u>
Cash flows from investing activities:	
Proceeds from sale of assets	<u>-</u>
Net cash provided by investing activities	<u>-</u>
Cash flows from financing activities:	
Reduction of long-term debt	<u>-</u>
Net cash (used in) financing activities	<u>-</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(677)
Cash and cash equivalents – beginning of period	4,835
CASH AND CASH EQUIVALENTS – END OF PERIOD	<u>\$ 4,158</u>

Note: These financial statements have not been prepared on a liquidation basis. Certain accounts have been adjusted with estimates for reconciliations that are in process.

Cedar Chemical Corporation
(Operating as Debtor-In-Possession)
Notes to Condensed Consolidated Financial Statements
April 30, 2002

(Note A) - PROCEEDINGS UNDER CHAPTER 11 AND BASIS OF PRESENTATION:

Unaudited Interim Financial Information

Cedar Chemical Corporation (the "Company" or the "Debtor") filed a petition for relief under Chapter 11 of the United States Bankruptcy Code ("Chapter 11") on March 8, 2002 (the "Filing Date" or "Petition Date"). The Company is presently operating its business as a debtor-in-possession subject to the jurisdiction of the United States Bankruptcy Court for the Southern District of New York (the "Bankruptcy Court").

The unaudited consolidated financial statements of the Company have been prepared in accordance with the American Institute of Certified Public Accountants Statement of Position 90-7: "Financial Reporting by Entities in Reorganization Under the Bankruptcy Code" ("SOP 90-7") and generally accepted accounting principles applicable to a going concern, which principles, except as otherwise disclosed, assume that assets will be realized and liabilities will be discharged in the normal course of business. However, the Debtor is in the process of liquidating the business and the financial statements have not been adjusted to reflect the value of its remaining assets and liabilities based on a liquidation value of such assets and liabilities.

Except as set forth herein, the unaudited consolidated balance sheet as of April 30, 2002 and the unaudited consolidated statements of operations and cash flows for the month ended April 30, 2002 ("Interim Financial Information") have generally been prepared on the same basis as the audited financial statements.

In the opinion of the Company, the interim financial information includes all adjustments, consisting of normal recurring adjustments, necessary for a fair statement of the results of the interim period, except that the Company has not adjusted the carrying value of its assets and liabilities to reflect the liquidation value of its remaining assets and liabilities. The Interim Financial Information includes adjustments to certain liability and asset accounts to reflect estimated balances of such accounts as of March 31, 2002; reconciliation of these accounts are ongoing. Adjustments, if any, required as a result of management's reconciliation of these accounts would be reflected on subsequent Interim Financial Information submitted to the Bankruptcy Court.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted from the Interim Financial Information. These statements should be read in conjunction with the Company's financial statements for the year ended December 31, 2001 and 2000. The results for the month ended April 30, 2002 may not be indicative of the operating results for any future period.

The Company experienced significant operating losses in 2000 and 2001. As a result of these operating losses and the likely prospect of continued losses, the Company concluded that the liquidation of its business was the only viable alternative.

At the time of the filing, the Company requested and received authority to use certain proceeds from the liquidation of assets secured under the Company's senior credit facility to fund the

Cedar Chemical Corporation
(Operating as Debtor-In-Possession)
Notes to Condensed Consolidated Financial Statements
April 30, 2002

liquidation process. This interim use of cash collateral agreement is subject to the Company meeting certain forecasted disbursement levels and is subject to a final cash collateral hearing.

The Company maintains a cash management system for its subsidiary Vicksburg Chemical Company ("Vicksburg"), and as a result on a daily basis Vicksburg transfers its receipts to Cedar. This transfer is recorded as an intercompany payable, which is included in "Liabilities subject to compromise" on Cedar's balance sheet.

NOTE B – Liabilities and Chapter 11 Filing

In the Chapter 11 case, substantially all liabilities as of the Filing Date are subject to compromise or other treatment under a plan of reorganization to be confirmed by the Bankruptcy Court after submission to any required vote by the Debtor's creditors and stockholders. Generally, all actions to enforce or otherwise effect repayment of pre-Chapter 11 liabilities as well as all pending litigation against the Debtor are stayed while the Debtor continues its business operations as a debtor-in-possession.

The principal categories of claims classified, as "Liabilities Subject to Compromise" are trade accounts payable, accrued expenses, certain payables to affiliated companies and Cedar's secured credit facility.

The accompanying Interim Financial Information has been prepared on a going concern basis which, except as disclosed, contemplates continuity of operations, realization of assets and discharge of liabilities in the ordinary course of business. The Company has sold, or is in the process of selling or otherwise disposing of substantially all of its assets. The Company believes it is unlikely that there will be sufficient recoveries to make a distribution to unsecured creditors. As a result, these financial statements may be subject to material change. The financial statements do not give effect to all adjustments to the carrying value of assets, or amounts and classification of liabilities that might be necessary as a consequence of the liquidation of the business.

Valuation methods used in Chapter 11 reorganization cases vary depending on the purpose for which they are prepared and used and are rarely based on generally accepted accounting principles, the basis on which the accompanying Interim Financial Information are prepared. The Debtor has not adjusted the values of its remaining assets and liabilities to reflect the projected liquidation value of such assets and liabilities. Accordingly, the values used in the accompanying Interim Financial Information may be significantly higher than the value received by the debtor from the liquidation of its assets. As a result, valuations of the Company based on the accompanying Interim Financial Information may be significantly higher than valuations used by the Company in determining the amounts to be received, if any, by each class of creditors.

Cedar Chemical Corporation
(Operating as Debtor-In-Possession)
Insurance
(Unaudited)
April 30, 2002

All premiums for insurance policies, including all applicable workers compensation and disability insurance policies with respect to the period subsequent to the Petition Date have been paid when due.

**Cedar Chemical Corporation
(Operating as Debtors-In-Possession)
Schedule of Professional Fee Payments
(Unaudited)**

The Company made the following payments to professionals during the month of April 2002:

Marotta Gund Budd and Dzera - \$172,233

Angel and Frankel, P.C. - \$95,232

Cedar Chemical Corporation
Schedule of Payroll and Taxes
(Operating as Debtor-In-Possession)
(Unaudited)

Amounts noted below relate to the period 4/1/02 – 4/30/02

1. Gross Payroll - \$262,108
2. Payroll Taxes withheld - \$62,655
3. Employer Payroll Taxes Incurred - \$18,579
4. Gross Taxable Sales - \$0
5. Sales Tax Collected - \$0
6. Property Tax Payable - \$166,005
7. Other Taxes – Use Tax Payable - \$11,106
8. Date Payroll Taxes Paid –

DEBTOR'S MONTHLY REPORTING PACKAGE
FOR THE MONTH ENDING JUNE 30, 2002

Cedar Chemical Corporation
(Name of Debtor)

02-11039
(Case Number)

Angel & Frankel, P.C.
(Debtor's Attorneys)

/s/ Yehuda Yoked
Signed by:

Yehuda Yoked, Chief Executive Officer

Cedar Chemical Corporation
(Operating as Debtor-In-Possession)
Condensed Consolidated Balance Sheet
(Unaudited)
(Dollars in thousands)

June 30, 2002

Assets

Cash & cash equivalents	\$ 5,530
Receivables (net of allowance for doubtful accounts)	5,796
Inventory	3,994
Prepaid expenses and other current assets	29,804
Total current assets	<u>45,124</u>
Property plant and equipment, net	15,681
Investment in subsidiary	8,906
Investment in joint venture	5,288
Other assets	7,305
Total assets	<u>\$ 82,304</u>

Liabilities

Accounts payable and accrued expenses	\$ 962
Liabilities subject to compromise (see note B)	89,419
Total liabilities	<u>90,381</u>

Equity

Common stock	4,655
Additional paid in capital	33,324
Accumulated deficit	(43,860)
Additional minimum pension liability	(2,196)
Total stockholders' equity	<u>(8,077)</u>
Total liabilities & equity	<u>\$ 82,304</u>

Note: These financial statements have not been prepared on a liquidation basis.

Cedar Chemical Corporation
(Operating as Debtor-in-Possession)
Condensed Consolidated Statement of Operations
(Unaudited)
(Dollars in thousands)

	Month Ending <u>June 30, 2002</u>
Net Sales	\$ 599
Cost of sales	<u>1,953</u>
Gross Margin	<u>(1,354)</u>
Selling, general and administrative expenses	<u>759</u>
Loss from operations	(2,113)
Interest expense	<u>3</u>
Loss before income taxes	<u>(2,116)</u>
Income tax expense	<u>-</u>
Net loss	<u><u>\$ (2,116)</u></u>

Note: These financial statements have not been prepared on a liquidation basis.

Cedar Chemical Corporation
(Operating as Debtor-In-Possession)
Condensed Consolidated Statement of Cash Flows
(Unaudited)
(Dollars in thousands)

	Month Ending June 30, 2002
Cash flows from operating activities:	
Net loss	\$ (2,116)
Adjustments to reconcile net (loss) to net cash provided by operating activities:	
Depreciation and Amortization	300
Changes in current assets and current liabilities, cash flow provided by (used in):	
Receivables	1,878
Inventories	1,373
Other assets	1,912
Accounts payable, accrued expenses and other current liabilities	(636)
Net cash provided by operating activities	<u>2,711</u>
Cash flows from investing activities:	
Proceeds from sale of assets	<u>-</u>
Net cash provided by investing activities	<u>-</u>
Cash flows from financing activities:	
Reductions to long-term debt	<u>(1,888)</u>
Net cash (used in) financing activities	<u>(1,888)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	823
Cash and cash equivalents – beginning of period	4,707
CASH AND CASH EQUIVALENTS – END OF PERIOD	<u><u>\$ 5,530</u></u>

Note: These financial statements have not been prepared on a liquidation basis.

Cedar Chemical Corporation
(Operating as Debtor-In-Possession)
Notes to Condensed Consolidated Financial Statements
June 30, 2002

(Note A) - PROCEEDINGS UNDER CHAPTER 11 AND BASIS OF PRESENTATION:

Unaudited Interim Financial Information

Cedar Chemical Corporation (the "Company" or the "Debtor") filed a petition for relief under Chapter 11 of the United States Bankruptcy Code ("Chapter 11") on March 8, 2002 (the "Filing Date" or "Petition Date"). The Company is presently operating its business as a debtor-in-possession subject to the jurisdiction of the United States Bankruptcy Court for the Southern District of New York (the "Bankruptcy Court").

The unaudited consolidated financial statements of the Company have been prepared in accordance with the American Institute of Certified Public Accountants Statement of Position 90-7: "Financial Reporting by Entities in Reorganization Under the Bankruptcy Code" ("SOP 90-7") and generally accepted accounting principles applicable to a going concern, which principles, except as otherwise disclosed, assume that assets will be realized and liabilities will be discharged in the normal course of business. However, the Debtor is in the process of liquidating the business and the financial statements have not been adjusted to reflect the value of its remaining assets and liabilities based on a liquidation value of such assets and liabilities.

Except as set forth herein, the unaudited consolidated balance sheet as of June 30, 2002 and the unaudited consolidated statements of operations and cash flows for the month ended June 30, 2002 ("Interim Financial Information") have generally been prepared on the same basis as the audited financial statements.

In the opinion of the Company, the interim financial information includes all adjustments, consisting of normal recurring adjustments, necessary for a fair statement of the results of the interim period, except that the Company has not adjusted the carrying value of its assets and liabilities to reflect the liquidation value of its remaining assets and liabilities. The Interim Financial Information includes adjustments to certain liability and asset accounts to reflect estimated balances of such accounts as of June 30, 2002; reconciliation of these accounts are ongoing. Adjustments, if any, required as a result of management's reconciliation of these accounts would be reflected on subsequent Interim Financial Information submitted to the Bankruptcy Court.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted from the Interim Financial Information. These statements should be read in conjunction with the Company's financial statements for the year ended December 31, 2001 and 2000. The results for the month ended June 30, 2002 may not be indicative of the operating results for any future period.

The Company experienced significant operating losses in 2000 and 2001. As a result of these operating losses and the likely prospect of continued losses, the Company concluded that the liquidation of its business was the only viable alternative.

At the time of the filing, the Company requested and received authority to use certain proceeds from the liquidation of assets secured under the Company's senior credit facility to fund the

Cedar Chemical Corporation
(Operating as Debtor-In-Possession)
Notes to Condensed Consolidated Financial Statements
June 30, 2002

liquidation process. This interim use of cash collateral agreement is subject to the Company meeting certain forecasted disbursement levels and is subject to a final cash collateral hearing.

The Company maintains a cash management system for its subsidiary Vicksburg Chemical Company ("Vicksburg"), and as a result on a daily basis Vicksburg transfers its receipts to Cedar. This transfer is recorded as an intercompany payable, which is included in "Liabilities subject to compromise" on Cedar's balance sheet.

NOTE B – Liabilities and Chapter 11 Filing

In the Chapter 11 case, substantially all liabilities as of the Filing Date are subject to compromise or other treatment under a plan of reorganization to be confirmed by the Bankruptcy Court after submission to any required vote by the Debtor's creditors and stockholders. Generally, all actions to enforce or otherwise effect repayment of pre-Chapter 11 liabilities as well as all pending litigation against the Debtor are stayed while the Debtor continues its business operations as a debtor-in-possession.

The principal categories of claims classified, as "Liabilities Subject to Compromise" are trade accounts payable, accrued expenses, certain payables to affiliated companies and Cedar's secured credit facility.

The accompanying Interim Financial Information has been prepared on a going concern basis which, except as disclosed, contemplates continuity of operations, realization of assets and discharge of liabilities in the ordinary course of business. The Company has sold, or is in the process of selling or otherwise disposing of substantially all of its assets. The Company believes it is unlikely that there will be sufficient recoveries to make a distribution to unsecured creditors. As a result, these financial statements may be subject to material change. The financial statements do not give effect to all adjustments to the carrying value of assets, or amounts and classification of liabilities that might be necessary as a consequence of the liquidation of the business.

Valuation methods used in Chapter 11 reorganization cases vary depending on the purpose for which they are prepared and used and are rarely based on generally accepted accounting principles, the basis on which the accompanying Interim Financial Information are prepared. The Debtor has not adjusted the values of its remaining assets and liabilities to reflect the projected liquidation value of such assets and liabilities. Accordingly, the values used in the accompanying Interim Financial Information may be significantly higher than the value received by the debtor from the liquidation of its assets. As a result, valuations of the Company based on the accompanying Interim Financial Information may be significantly higher than valuations used by the Company in determining the amounts to be received, if any, by each class of creditors.

Cedar Chemical Corporation
(Operating as Debtor-In-Possession)
Insurance
(Unaudited)
June 30, 2002

All premiums for insurance policies, including all applicable workers compensation and disability insurance policies with respect to the period subsequent to the Petition Date have been paid when due.

Cedar Chemical Corporation
(Operating as Debtors-In-Possession)
Schedule of Professional Fee Payments
(Unaudited)

The Company made the following payments to professionals during the month of June 2002:

Marotta Gund Budd and Dzera - \$161,605

Angel and Frankel, P.C. - \$171,651

Satterlee Stephens Burke & Burke - \$166,554

Executive Sounding Board - \$17,904

Alvarez & Marsal, Inc. - \$26,896

Cedar Chemical Corporation
Schedule of Payroll and Taxes
(Operating as Debtor-In-Possession)
(Unaudited)

Amounts noted below relate to the period 6/1/02 – 6/30/02

1. Gross Payroll - \$202,318
2. Payroll Taxes withheld - \$52,475
3. Employer Payroll Taxes Incurred - \$14,090
4. Gross Taxable Sales - \$0
5. Sales Tax Collected - \$0
6. Property Tax Payable - \$166,005
7. Other Taxes – Use Tax Payable - \$11,106
8. Date Payroll Taxes Paid –
 - Withholding taxes 6/10/02 - \$6,654
 - Withholding taxes 6/17/02 - \$3,452
 - Withholding taxes 6/28/02 - \$36,625
 - Withholding taxes 7/10/02 - \$5,744
 - Employer taxes 6/10/02 - \$2,247
 - Employer taxes 6/17/02 - \$1,515
 - Employer taxes 6/28/02 - \$10,328

DEBTOR'S MONTHLY REPORTING PACKAGE
FOR THE MONTH ENDING JULY 31, 2002

Cedar Chemical Corporation
(Name of Debtor)

02-11039
(Case Number)

Angel & Frankel, P.C.
(Debtor's Attorneys)

/s/ Yehuda Yoked
Signed by:

Yehuda Yoked, Chief Executive Officer

Cedar Chemical Corporation
(Operating as Debtor-In-Possession)
Condensed Consolidated Balance Sheet
(Unaudited)
(Dollars in thousands)

July 31, 2002

Assets

Cash & cash equivalents	\$ 3,308
Receivables (net of allowance for doubtful accounts)	5,069
Inventory	3,034
Prepaid expenses and other current assets	28,181
Total current assets	<u>39,592</u>
Property plant and equipment, net	15,381
Investment in subsidiary	8,906
Investment in joint venture	5,288
Other assets	6,442
Total assets	<u>\$ 75,609</u>

Liabilities

Accounts payable and accrued expenses	\$ 1,156
Liabilities subject to compromise (see note B)	85,578
Total liabilities	<u>86,734</u>

Equity

Common stock	4,655
Additional paid in capital	33,324
Accumulated deficit	(46,908)
Additional minimum pension liability	(2,196)
Total stockholders' equity	<u>(11,125)</u>
Total liabilities & equity	<u>\$ 75,609</u>

Note: These financial statements have not been prepared on a liquidation basis.

Cedar Chemical Corporation
(Operating as Debtor-in-Possession)
Condensed Consolidated Statement of Operations
(Unaudited)
(Dollars in thousands)

	Month Ending July 31, 2002
Net Sales	\$ 448
Cost of sales	2,619
Gross Margin	<u>(2,171)</u>
Selling, general and administrative expenses	<u>1,116</u>
Loss from operations	(3,287)
Interest expense	<u>-</u>
Loss before income taxes	(3,287)
Income tax refund	<u>239</u>
Net loss	<u><u>\$ (3,048)</u></u>

Note: These financial statements have not been prepared on a liquidation basis.

Cedar Chemical Corporation
(Operating as Debtor-In-Possession)
Condensed Consolidated Statement of Cash Flows
(Unaudited)
(Dollars in thousands)

	Month Ending July 31, 2002
Cash flows from operating activities:	
Net loss	\$ (3,048)
Adjustments to reconcile net (loss) to net cash provided by operating activities:	
Depreciation and Amortization	300
Changes in current assets and current liabilities, cash flow provided by (used in):	
Receivables	727
Inventories	960
Other assets	2,486
Accounts payable, accrued expenses and other current liabilities	270
Net cash provided by operating activities	<u>1,695</u>
Cash flows from investing activities:	
Proceeds from sale of assets	-
Net cash provided by investing activities	<u>-</u>
Cash flows from financing activities:	
Reductions to long-term debt	<u>(3,917)</u>
Net cash (used in) financing activities	<u>(3,917)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(2,222)
Cash and cash equivalents – beginning of period	5,530
CASH AND CASH EQUIVALENTS – END OF PERIOD	<u>\$ 3,308</u>

Note: These financial statements have not been prepared on a liquidation basis.

Cedar Chemical Corporation
(Operating as Debtor-In-Possession)
Notes to Condensed Consolidated Financial Statements
July 31, 2002

(Note A) - PROCEEDINGS UNDER CHAPTER 11 AND BASIS OF PRESENTATION:

Unaudited Interim Financial Information

Cedar Chemical Corporation (the "Company" or the "Debtor") filed a petition for relief under Chapter 11 of the United States Bankruptcy Code ("Chapter 11") on March 8, 2002 (the "Filing Date" or "Petition Date"). The Company is presently operating its business as a debtor-in-possession subject to the jurisdiction of the United States Bankruptcy Court for the Southern District of New York (the "Bankruptcy Court").

The unaudited consolidated financial statements of the Company have been prepared in accordance with the American Institute of Certified Public Accountants Statement of Position 90-7: "Financial Reporting by Entities in Reorganization Under the Bankruptcy Code" ("SOP 90-7") and generally accepted accounting principles applicable to a going concern, which principles, except as otherwise disclosed, assume that assets will be realized and liabilities will be discharged in the normal course of business. However, the Debtor is in the process of liquidating the business and the financial statements have not been adjusted to reflect the value of its remaining assets and liabilities based on a liquidation value of such assets and liabilities.

Except as set forth herein, the unaudited consolidated balance sheet as of July 31, 2002 and the unaudited consolidated statements of operations and cash flows for the month ended July 31, 2002 ("Interim Financial Information") have generally been prepared on the same basis as the audited financial statements.

In the opinion of the Company, the interim financial information includes all adjustments, consisting of normal recurring adjustments, necessary for a fair statement of the results of the interim period, except that the Company has not adjusted the carrying value of its assets and liabilities to reflect the liquidation value of its remaining assets and liabilities. The Interim Financial Information includes adjustments to certain liability and asset accounts to reflect estimated balances of such accounts as of July 31, 2002; reconciliation of these accounts are ongoing. Adjustments, if any, required as a result of management's reconciliation of these accounts would be reflected on subsequent Interim Financial Information submitted to the Bankruptcy Court.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted from the Interim Financial Information. These statements should be read in conjunction with the Company's financial statements for the year ended December 31, 2001 and 2000. The results for the month ended July 31, 2002 may not be indicative of the operating results for any future period.

The Company experienced significant operating losses in 2000 and 2001. As a result of these operating losses and the likely prospect of continued losses, the Company concluded that the liquidation of its business was the only viable alternative.

At the time of the filing, the Company requested and received authority to use certain proceeds from the liquidation of assets secured under the Company's senior credit facility to fund the

Cedar Chemical Corporation
(Operating as Debtor-In-Possession)
Notes to Condensed Consolidated Financial Statements
July 31, 2002

liquidation process. This interim use of cash collateral agreement is subject to the Company meeting certain forecasted disbursement levels and is subject to a final cash collateral hearing.

The Company maintains a cash management system for its subsidiary Vicksburg Chemical Company ("Vicksburg"), and as a result on a daily basis Vicksburg transfers its receipts to Cedar. This transfer is recorded as an intercompany payable, which is included in "Liabilities subject to compromise" on Cedar's balance sheet.

NOTE B – Liabilities and Chapter 11 Filing

In the Chapter 11 case, substantially all liabilities as of the Filing Date are subject to compromise or other treatment under a plan of reorganization to be confirmed by the Bankruptcy Court after submission to any required vote by the Debtor's creditors and stockholders. Generally, all actions to enforce or otherwise effect repayment of pre-Chapter 11 liabilities as well as all pending litigation against the Debtor are stayed while the Debtor continues its business operations as a debtor-in-possession.

The principal categories of claims classified, as "Liabilities Subject to Compromise" are trade accounts payable, accrued expenses, certain payables to affiliated companies and Cedar's secured credit facility.

The accompanying Interim Financial Information has been prepared on a going concern basis which, except as disclosed, contemplates continuity of operations, realization of assets and discharge of liabilities in the ordinary course of business. The Company has sold, or is in the process of selling or otherwise disposing of substantially all of its assets. The Company believes it is unlikely that there will be sufficient recoveries to make a distribution to unsecured creditors. As a result, these financial statements may be subject to material change. The financial statements do not give effect to all adjustments to the carrying value of assets, or amounts and classification of liabilities that might be necessary as a consequence of the liquidation of the business.

Valuation methods used in Chapter 11 reorganization cases vary depending on the purpose for which they are prepared and used and are rarely based on generally accepted accounting principles, the basis on which the accompanying Interim Financial Information are prepared. The Debtor has not adjusted the values of its remaining assets and liabilities to reflect the projected liquidation value of such assets and liabilities. Accordingly, the values used in the accompanying Interim Financial Information may be significantly higher than the value received by the debtor from the liquidation of its assets. As a result, valuations of the Company based on the accompanying Interim Financial Information may be significantly higher than valuations used by the Company in determining the amounts to be received, if any, by each class of creditors.

Cedar Chemical Corporation
(Operating as Debtor-In-Possession)
Insurance
(Unaudited)
July 31, 2002

All premiums for insurance policies, including all applicable workers compensation and disability insurance policies with respect to the period subsequent to the Petition Date have been paid when due.

Cedar Chemical Corporation
(Operating as Debtors-In-Possession)
Schedule of Professional Fee Payments
(Unaudited)

The Company made the following payments to professionals during the month of July 2002:

Marotta Gund Budd and Dzera - \$158,548

Cedar Chemical Corporation
Schedule of Payroll and Taxes
(Operating as Debtor-In-Possession)
(Unaudited)

Amounts noted below relate to the period 7/1/02 – 7/31/02

1. Gross Payroll - \$193,456
2. Payroll Taxes withheld - \$52,003
3. Employer Payroll Taxes Incurred - \$14,353
4. Gross Taxable Sales - \$0
5. Sales Tax Collected - \$0
6. Property Tax Payable - \$166,005
7. Other Taxes – Use Tax Payable - \$11,106
8. Date Payroll Taxes Paid –
 - Withholding taxes 7/15/02 - \$26,475
 - Withholding taxes 7/26/02 - \$13,135
 - Withholding taxes 7/29/02 - \$3,014
 - Withholding taxes 8/7/02 - \$9,379
 - Employer taxes 7/15/02 - \$9,283
 - Employer taxes 7/26/02 - \$5,070

DEBTOR'S MONTHLY REPORTING PACKAGE
FOR THE MONTH ENDING SEPTEMBER 30, 2002

Cedar Chemical Corporation
(Name of Debtor)

02-11039
(Case Number)

Angel & Frankel, P.C.
(Debtor's Attorneys)

/s/ Yehuda Yoked
Signed by:

Yehuda Yoked, Chief Executive Officer

Cedar Chemical Corporation
(Operating as Debtor-In-Possession)
Condensed Consolidated Balance Sheet
(Unaudited)
(Dollars in thousands)

September 30, 2002

Assets

Cash & cash equivalents	\$ 2,838
Receivables (net of allowance for doubtful accounts)	3,517
Inventory	407
Prepaid expenses and other current assets	27,425
Total current assets	<u>34,187</u>
Property plant and equipment, net	14,781
Investment in subsidiary	8,906
Investment in joint venture	5,288
Other assets	6,442
Total assets	<u>\$ 69,604</u>

Liabilities

Accounts payable and accrued expenses	\$ 1,231
Liabilities subject to compromise (see note B)	84,716
Total liabilities	<u>85,947</u>

Equity

Common stock	4,655
Additional paid in capital	33,324
Accumulated deficit	(52,126)
Additional minimum pension liability	(2,196)
Total stockholders' equity	<u>(16,343)</u>
Total liabilities & equity	<u>\$ 69,604</u>

Note: These financial statements have not been prepared on a liquidation basis.

Cedar Chemical Corporation
(Operating as Debtor-in-Possession)
Condensed Consolidated Statement of Operations
(Unaudited)
(Dollars in thousands)

	Month Ending <u>September 30, 2002</u>
Net Sales	\$ 37
Cost of sales	<u>698</u>
Gross Margin	<u>(661)</u>
 Selling, general and administrative expenses	 <u>1,076</u>
Loss from operations	(1,737)
 Interest expense	 <u>-</u>
Loss before income taxes	(1,737)
Income tax refund	<u>-</u>
Net loss	<u><u>\$ (1,737)</u></u>

Note: These financial statements have not been prepared on a liquidation basis.

Cedar Chemical Corporation
(Operating as Debtor-In-Possession)
Condensed Consolidated Statement of Cash Flows
(Unaudited)
(Dollars in thousands)

	Month Ending September 30, 2002
Cash flows from operating activities:	
Net loss	\$ (1,737)
Adjustments to reconcile net (loss) to net cash provided by operating activities:	
Depreciation and Amortization	300
Changes in current assets and current liabilities, cash flow provided by (used in):	
Receivables	1,166
Inventories	233
Other assets	331
Accounts payable, accrued expenses and other current liabilities	(132)
Net cash provided by operating activities	<u>161</u>
Cash flows from investing activities:	
Proceeds from sale of assets	-
Net cash provided by investing activities	<u>-</u>
Cash flows from financing activities:	
Reductions to long-term debt	-
Net cash (used in) financing activities	<u>-</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	161
Cash and cash equivalents – beginning of period	2,677
CASH AND CASH EQUIVALENTS – END OF PERIOD	<u>\$ 2,838</u>

Note: These financial statements have not been prepared on a liquidation basis.

Cedar Chemical Corporation
(Operating as Debtor-In-Possession)
Notes to Condensed Consolidated Financial Statements
September 30, 2002

(Note A) - PROCEEDINGS UNDER CHAPTER 11 AND BASIS OF PRESENTATION:

Unaudited Interim Financial Information

Cedar Chemical Corporation (the "Company" or the "Debtor") filed a petition for relief under Chapter 11 of the United States Bankruptcy Code ("Chapter 11") on March 8, 2002 (the "Filing Date" or "Petition Date"). The Company is presently operating its business as a debtor-in-possession subject to the jurisdiction of the United States Bankruptcy Court for the Southern District of New York (the "Bankruptcy Court").

The unaudited consolidated financial statements of the Company have been prepared in accordance with the American Institute of Certified Public Accountants Statement of Position 90-7: "Financial Reporting by Entities in Reorganization Under the Bankruptcy Code" ("SOP 90-7") and generally accepted accounting principles applicable to a going concern, which principles, except as otherwise disclosed, assume that assets will be realized and liabilities will be discharged in the normal course of business. However, the Debtor is in the process of liquidating its business and the financial statements have not been adjusted to reflect the value of its remaining assets and liabilities based on a liquidation value of such assets and liabilities.

Except as set forth herein, the unaudited consolidated balance sheet as of September 30, 2002 and the unaudited consolidated statements of operations and cash flows for the month ended September 30, 2002 ("Interim Financial Information") have generally been prepared on the same basis as the audited financial statements.

In the opinion of the Company, the interim financial information includes all adjustments, consisting of normal recurring adjustments, necessary for a fair statement of the results of the interim period, except that the Company has not adjusted the carrying value of its assets and liabilities to reflect the liquidation value of its remaining assets and liabilities. The Interim Financial Information includes adjustments to certain liability and asset accounts to reflect estimated balances of such accounts as of September 30, 2002; reconciliation of these accounts are ongoing. Adjustments, if any, required as a result of management's reconciliation of these accounts would be reflected on subsequent Interim Financial Information submitted to the Bankruptcy Court.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted from the Interim Financial Information. These statements should be read in conjunction with the Company's financial statements for the year ended December 31, 2001 and 2000. The results for the month ended September 30, 2002 may not be indicative of the operating results for any future period.

The Company experienced significant operating losses in 2000 and 2001. As a result of these operating losses and the likely prospect of continued losses, the Company concluded that the liquidation of its business was the only viable alternative.

At the time of the filing, the Company requested and received authority to use certain proceeds from the liquidation of assets secured under the Company's senior credit facility to fund the

Cedar Chemical Corporation
(Operating as Debtor-In-Possession)
Notes to Condensed Consolidated Financial Statements
September 30, 2002

process of mothballing the manufacturing facility and winding-down the operations. This interim use of cash collateral agreement is subject to the Company meeting certain forecasted disbursement levels and was approved as the final cash collateral order in August 2002.

The Company maintains a cash management system for its subsidiary Vicksburg Chemical Company ("Vicksburg"), and as a result on a daily basis Vicksburg transfers its receipts to Cedar. This transfer is recorded as an intercompany payable, which is included in "Liabilities subject to compromise" on Cedar's balance sheet.

NOTE B – Liabilities and Chapter 11 Filing

In the Chapter 11 case, substantially all liabilities as of the Filing Date are subject to compromise or other treatment under a plan of reorganization to be confirmed by the Bankruptcy Court after submission to any required vote by the Debtor's creditors and stockholders. Generally, all actions to enforce or otherwise effect repayment of pre-Chapter 11 liabilities as well as all pending litigation against the Debtor are stayed while the Debtor continues its business operations as a debtor-in-possession.

The principal categories of claims classified, as "Liabilities Subject to Compromise" are trade accounts payable, accrued expenses, certain payables to affiliated companies and Cedar's secured credit facility.

The accompanying Interim Financial Information has been prepared on a going concern basis which, except as disclosed, contemplates continuity of operations, realization of assets and discharge of liabilities in the ordinary course of business. The Company has sold, or is in the process of selling or otherwise disposing of substantially all of its assets. Due to limited interest in its facility, the Company filed a motion to abandon its manufacturing plant located in West Helena, Arkansas. This motion was approved in October 2002 and consequently the Company no longer manages the West Helena facility. The Company believes it is unlikely that there will be sufficient recoveries to make a distribution to unsecured creditors. As a result, these financial statements may be subject to material change. The financial statements do not give effect to all adjustments to the carrying value of assets, or amounts and classification of liabilities that might be necessary as a consequence of the liquidation of the business.

Valuation methods used in Chapter 11 reorganization cases vary depending on the purpose for which they are prepared and used and are rarely based on generally accepted accounting principles, the basis on which the accompanying Interim Financial Information are prepared. The Debtor has not adjusted the values of its remaining assets and liabilities to reflect the projected liquidation value of such assets and liabilities. Accordingly, the values used in the accompanying Interim Financial Information may be significantly higher than the value received by the debtor from the liquidation of its assets. As a result, valuations of the Company based on the accompanying Interim Financial Information may be significantly higher than valuations used by the Company in determining the amounts to be received, if any, by each class of creditors.

Cedar Chemical Corporation
(Operating as Debtor-In-Possession)
Insurance
(Unaudited)
September 30, 2002

All premiums for insurance policies, including all applicable workers compensation and disability insurance policies with respect to the period subsequent to the Petition Date have been paid when due.

**Cedar Chemical Corporation
(Operating as Debtors-In-Possession)
Schedule of Professional Fee Payments
(Unaudited)**

The Company made the following payments to professionals during the month of September 2002:

Marotta Gund Budd and Dzera - \$161,143

Angel and Frankel, P.C. - \$130,803

Satterlee Stephens Burke & Burke - \$65,054

Executive Sounding Board - \$21,210

Davis Polk & Wardwell - \$182,125

Burch Porter & Johnson - \$12,221

Cedar Chemical Corporation
Schedule of Payroll and Taxes
(Operating as Debtor-In-Possession)
(Unaudited)

Amounts noted below relate to the period 9/1/02 – 9/30/02

1. Gross Payroll - \$79,589
2. Payroll Taxes withheld - \$19,204
3. Employer Payroll Taxes Incurred - \$4,879
4. Gross Taxable Sales - \$0
5. Sales Tax Collected - \$0
6. Property Tax Payable - \$166,005
7. Other Taxes – Use Tax Payable - \$0
8. Date Payroll Taxes Paid –
 - Withholding taxes 9/9/02 - \$2,164
 - Withholding taxes 9/20/02 - \$2,173
 - Withholding taxes 9/26/02 - \$12,691
 - Withholding taxes 10/15/02 - \$2,176
 - Employer taxes 9/9/02 - \$909
 - Employer taxes 9/20/02 - \$912
 - Employer taxes 9/26/02 - \$3,058